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Health and Human Services Committee  
August 25, 2010

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[LR568 COMMUNITY SERVICES BLOCK GRANT]

The Committee on Health and Human Services met at 1:00 p.m. on Wednesday, August 25, 2010, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on the Community Services Block Grant and LR568. Senators present: Tim Gay, Chairperson; Dave Pankonin, Vice Chairperson; Kathy Campbell; Mike Gloor; Gwen Howard; Arnie Stuthman; and Norman Wallman. Senators absent: None. Senators also present: Colby Coash, Annette Dubas, Tom Hansen, and Amanda McGill.

SENATOR GAY: All right. Welcome to the...it's a joint hearing, Health and Human Services and also the LR603 Committee, so there's several senators here from different committees, and this is a follow-up meeting, a follow-up hearing, and there will be other hearings, I'm sure, still involved in the...in LR568, so there will be other hearings to hear from others who want to speak on this. I know today there's no public comment. We came today to listen to the current providers in...with the department on the Child Welfare Reform Act, and that's what we wanted to do to keep the scope fairly narrow. Now we've heard from many in the public and we're still, of course, open to that always to continue to hear. I'm sure there will be questions, tough questions asked from committee members, from those that are presenting as well, so I do think we'll get that. But I know some people are upset with that and that's kind of the way it is. In the interest of time, that's what we wanted to do. But there will be another opportunity or two possibly to speak and be heard, so we will do that. Let's start with introduction. I know some of the other senators are here. I'll start with myself, Senator Tim Gay, Chairman of the Health and Human Services Committee; and then our legal counsel, Michelle Chaffee, is right over here; and then in walking, Senator Mike Gloor; I'm just...you're making a grand entrance, Senator Gwen Howard; Senator Colby Coash. So I guess we'll start with Senator Campbell, so they've been introduced.

SENATOR CAMPBELL: Okay. I'm Senator Kathy Campbell, District 25, Lincoln.

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SENATOR PANKONIN: Senator Dave Pankonin, District 2; I live in Louisville.

SENATOR STUTHMAN: Senator Arnie Stuthman from District 22 from Platte Center.

SENATOR HOWARD: Senator Gwen Howard, District 9 in Omaha.

SENATOR WALLMAN: Senator Norm Wallman, District 30.

SENATOR HANSEN: Tom Hansen, District 42, and I live in North Platte.

SENATOR DUBAS: Annette Dubas, District 34, Fullerton.

SENATOR GAY: All right. Thank you. And I see Senator Nordquist will be joining us, hopefully, and Senator Amanda McGill, so they may be joining us shortly. The plan is to hear from the department. On the agenda we have Kerry Winterer is here today, Todd Reckling. We will be able to answer questions. My thought was this--and, Senator Campbell, if you want to change this in any way--but I think my thought was let's listen to Kerry, if there are any questions. And then Todd will probably give a presentation last, then Todd some questions; hear from Judy...is it Dierkhising, Jeff Hackett, and then Sandra Gonzalez, and then we can ask them questions as well. But if you have a question, I don't want you to have to wait clear till the very end to ask a question if something is in your head, so that's kind of the way I think would be best to do. So, Director Winterer, you're here. We'll turn it over to you. Oh, we doing a block grant? Okay. All right, my fault. We are going to...we're going to have a quick on the Department of Health and Human Services' presentation on the Community Services Block Grant.

TODD RECKLING: (Exhibits 1 and 2) Thank you, Senator Gay, members of the Health and Human Services Committee, and the Behavioral Health Oversight Committee. My

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name is Todd Reckling, R-e-c-k-l-i-n-g, and I'm the director for the Division of Children and Family Services within the Department of Health and Human Services. Wanted to quickly talk to you about the Community Services Block Grant Act which requires a legislative hearing once every three years, so that's why I'm here today, to fill that requirement. Today I'll be speaking about the Nebraska state plan for Community Services Block Grant funds for fiscal year '11 and '12. Nebraska submits a plan every two years to the Office of Community Services within the U.S. Department of Health and Human Services laying out what the state of Nebraska and community action agencies will do for the period specified. Community Services Block Grant Act governs this federally funded program and the act requires a legislative hearing, as I indicated, once every three years. Social Services Block Grant funds are federal funds distributed to the states and earmarked by federal law for distribution to eligible entities who are primarily community action agencies. In Nebraska all nine recipients are community action agencies. A formula based on each state's poverty population determine each state's grant amount. Nebraska receives less than 1 percent of the total federal allotment. Community Services Block Grand funding provides a range of services and activities to assist the needs of low-income individuals. Clients include, but are not limited to, unemployed or those receiving public assistance, including Temporary Assistance for Needy Families, or TANF; at-risk youth; custodial and noncustodial parents; residents of public housing; persons with disabilities; persons who are homeless; and individuals transitioning from incarceration back into the community. Our community action agencies are required to provide services and activities addressing seven key areas. Those include employment, education, better use of available income, housing, nutrition, emergency services, and/or health. The services and activities are determined locally through a needs assessment and other community action assessment tools. Agencies are also required to track progress as well as outcomes through the national performance indicators using the Results Oriented Management and Accountability, also called ROMA for short, process established in the 1990s. Agencies report their outcomes and activities twice a year, with an annual report going to the federal funder every February. Nebraska recognizes the nine community action agencies and they

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serve all 93 counties. The board of each community action agency is composed of one-third low-income representatives, one-third elected officials or their representative, and one-third private sector representatives who live within the community action service area. This tripartite board structure allows low-income individuals to have a stake in their community and also help determine what happens within those agencies. Community action agency board members are responsible for planning, management, and operation of the agency, and the state is responsible for monitoring and oversight of the agencies to assure compliance with the federal and state laws and regulations. Congress has yet to vote on the federal FY '11 budget. The House and Senate have proposed different amounts for the Community Services Block Grant allocation. The Senate proposed funding level at the \$700 million level, and the House proposed an additional \$100 million, for a total of \$800 million to the program. The fiscal year '10 allocation for the Community Services Block Grant funds to Nebraska was \$4,850,237. Based on the current form for these two bills, we would expect to receive at least this amount in fiscal year 2011 until we hear otherwise. The American Recovery and Reinvestment Act also allocated an additional \$1 billion to the Community Services Block Grant Program. These extra funds allowed community action agencies to pursue more intensive and detailed programs. A final report on the CSBG ARRA activities will be available in early 2011. Nebraska received approximately \$6.9 million in additional funds for the period July of '09 to September of 2010. Per federal law, 90 percent of the funds go to Nebraska's nine community action agencies. Division of the Community Services Block Grant funds to the nine agencies is that base formula...is a base plus a formula model. Agencies receive \$125,000 base, plus the formula that is the poverty population respective to the whole population in their service delivery area. The poverty population comes from the U.S. Census figures and due to change in FY '12, when Nebraska's population statistics are then available. The state CSBG formula is located on page 10 of the plan that was attached with your testimony and handouts. Attachment D is the state plan that also shows the service area delivery map. The state may use up to 3 percent, but we typically spend a little bit less than 3 percent of the funds for state administration of the grant, and the remaining funds are available for the state to use to

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provide technical assistance and support to community action agencies. The state plans list the agencies, the counties they serve, and the Community Services Block Grant allocation received for each of those areas, and that's located on page 13. The Community Services Block Grant is the only...is only one funding source for these community action activities. It is the base funding to allow agencies to leverage additional private and public dollars for their programs. Last year agencies leveraged more than \$66 million, or \$16.50 per Community Services Block Grant dollar, in other federal, state, and local dollars. Thank you for allowing me to present Nebraska's Community Services Block Grant state plan to you today and to provide you a small sampling of what community action does in our state. I'd invite your review of the plan and, if you are not familiar with the community action agency in your district, I would invite you to visit those agencies. I'd be happy to answer any questions you may have. [COMMUNITY SERVICES BLOCK GRANT]

SENATOR GAY: Thank you. Are there any questions? Senator Stuthman. [COMMUNITY SERVICES BLOCK GRANT]

SENATOR STUTHMAN: Thank you, Senator Gay. Mr. Reckling, do you fear that Congress will not fund this or will fund it at a lower level? [COMMUNITY SERVICES BLOCK GRANT]

TODD RECKLING: The indications we have, Senator, right now, at the minimum we are expecting that probably that \$700 million will come through, in best case scenario the \$800 million would be appropriated. So we at least expect that we should be as good as we are last year. So that's where our planning efforts have been at this point, to plan on a level budget from what we had last year, and if there's more dollars federally appropriated then all the better. [COMMUNITY SERVICES BLOCK GRANT]

SENATOR STUTHMAN: Okay. Thank you. [COMMUNITY SERVICES BLOCK GRANT]

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SENATOR GAY: Any other questions? Senator Gloor. [COMMUNITY SERVICES BLOCK GRANT]

SENATOR GLOOR: A question about board structure, if you happen to know, Todd. Although admirable, a requirement or a mandate that one-third of the boards be made up of low-income, admirable but, because they're low income, they're usually the ones who have the hardest time finding time to be able to participate in board meetings. So what kind of attendance rate do we have, if we know, with the various boards of the nine agencies? [COMMUNITY SERVICES BLOCK GRANT]

TODD RECKLING: Senator, I don't know the answer to that question here today. If we have that information, I can certainly make it available to you. [COMMUNITY SERVICES BLOCK GRANT]

SENATOR GLOOR: I'd be interested. [COMMUNITY SERVICES BLOCK GRANT]

TODD RECKLING: Absolutely. [COMMUNITY SERVICES BLOCK GRANT]

SENATOR GAY: Any other questions? I don't see any. Thank you, Todd. [COMMUNITY SERVICES BLOCK GRANT]

TODD RECKLING: Thank you, Senators. [COMMUNITY SERVICES BLOCK GRANT]

SENATOR GAY: All right. Then we'll get to our discussion today on LR568 and Kerry Winterer. Welcome. [LR568]

KERRY WINTERER: Good afternoon. For the record, my name is Kerry Winterer, that's K-e-r-r-y, last name is W-i-n-t-e-r-e-r. I am CEO of the Department of Health and Human Services. I may want to anticipate a question you may want to ask later on and just answer it right up-front. Todd and I did not get together this morning when we got

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dressed (laughter), nor is this the new uniform for HHS, but it's purely coincidental. But next time we will call each other before we appear together at a hearing. Having gotten that taken care of, I'd like to thank Senators Gay and Campbell for this opportunity to provide information to both committees today. With us today are, and you well know, Todd Reckling, who's the director of the Division of Children and Family Services; Judy Dierkhising from the Nebraska Families Cooperative (sic); Sandra Gasca-Gonzalez from KVC; and Jeff Hackett from Boys and Girls Home. I have just a few comments and then I'll turn over to Todd and the lead contractors, because you're certainly going to be interested in what they have to share with you today. As you heard from us at our last meeting on May 19, the Division of Children and Family Services began planning for this reform several years ago. This reform started for the right reasons to safely and better serve children and families. As you recall, many Nebraskans and the federal government have called for fundamental change in the child welfare, juvenile services system because too many Nebraska children and youth were being served in out-of-home care. The reform is about fundamentally changing the system so that outcomes related to safety, permanency, and well-being improve for children, youth, and families. We have looked at other states that have already begun to make systemic changes to their system. Based on their experiences, we understood and have said that true reform will take some years and we would continuously make changes as appropriate based on the analysis and discussions with lead contractors and other stakeholders. This is exactly what we are doing and have been doing since we met last. Todd will describe for you some of the most recent contract amendments that have occurred in an effort to make adjustments based on lessons that we have learned. We knew that the ability to be flexible and make necessary adjustments as we went along would be a key factor in our success. We have seen some flexibility in innovation in action already, but we know we have more work to do in this area. You'll hear today about some of the early success stories. While some things are going well, we also know that we continue to have challenges that must be addressed. We continue to analyze these items, and Director Reckling will talk more about these areas, what we have learned, and certainly what still needs to be done. As you know, when

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implementation of this reform began statewide on April 1, we had contracts with five lead agencies. Since then CEDARS and Visinet are no longer providing services. I know their departure has caused anxiety and uncertainty about the reform, and we are closely communicating with the lead contractors about their finances. They remain committed to the reform and we all know that we must continue to make the shift to in-home care rather than out-of-home care to really make improvement and to make the system more sustainable in the long term. I want today to particularly recognize the commitment and good work of the lead contractors and their willingness to continue in partnership with us in this effort. Today you will have the opportunity to hear from them directly as they describe the reform from their perspective, share their experiences, and describe some of the positive indications of service improvements as well as the challenges that remain. Again, I appreciate the opportunity today to update the committee and I'm confident that together we can make the changes that will produce better outcomes for our children and families. We still have a long way to go but we feel we are certainly on the right track. Thank you. Unless there are questions for me, I'll turn it over to Mr. Reckling at this point. [LR568]

SENATOR GAY: Thank you. Are there any questions right now for...Senator Campbell. [LR568]

SENATOR CAMPBELL: Mr. Winterer, I certainly think all the senators here understand that this was not a legislative matter that started the reform, it certainly was undertaken by the department. But all the senators who sit here, and particularly those on Health and Human Services, have a responsibility when it comes to the budget, which we are...we started this morning talking about and looking at, and my concern continues to be that we had a number of private dollars that were infused in the system and all of the leads said that they expected to put in their private dollars, but now some of those leads are gone or some of the leads that are left, they say, you know, I may not have as much money. My concern is here's a system that may have been either underfunded or very closely funded and now we are losing some of those dollars. How do we anticipate



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financially being able to really undergird this system? [LR568]

KERRY WINTERER: That is a very good question. It's a question that we certainly are concerned about as we go through what we're doing at this point in time. As we all are looking forward to the next budget cycle, that is a concern because, clearly, this is a priority for us and we need to find some way to be sure that there are adequate funds in the system to do what's required. A lot of what you'll hear about I think this morning or this afternoon, I should say, is the efforts to spend more time with the contractors to talk about those specific questions, what is going on here that we need to either make adjustments, further adjustments with the system so we can understand what it's going to take and the number of dollars that are going to be provided or going to be available. That is...but that's a fundamental question. I mean we're all laboring under a limited number of dollars, both this year and for the ensuing two years, and I think it's difficult to try to set priorities and try to get down to making this effort as efficient and as effective as we can, and that's a big challenge. It's a big challenge. [LR568]

SENATOR CAMPBELL: Do you feel that we have enough assurance or that we've put into place enough safeguards to ensure that all the lead agencies truly do have the financial resources to back that up? [LR568]

KERRY WINTERER: Yes, we've... [LR568]

SENATOR CAMPBELL: Because we've lost two... [LR568]

KERRY WINTERER: Right. [LR568]

SENATOR CAMPBELL: ...and we obviously are concerned about that. [LR568]

KERRY WINTERER: One of the lessons learned from that experience specifically is that we needed to do more in terms of that financial monitoring and understanding

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where these lead agencies are relative to the resources available to them, both inside and outside child welfare reform, and we're doing much more along those lines. We meet regularly with the contractors. We're asking for much more information in terms of their financial circumstances because we don't really want to repeat what happened previously, and we're trying to set up this...the idea is that we are very much in partnership with these contractors and we need to know to what extent they're having some difficulties, if at all, and how we can help relative to that and, to the extent that we can, get early warning relative to those kinds of problems. [LR568]

SENATOR CAMPBELL: And I would hope that's the case because, in my estimation, this is sort of like the card...one card to the other card and the next card. because all of the agencies are interconnected with their subcontractors,... [LR568]

KERRY WINTERER: Correct. [LR568]

SENATOR CAMPBELL: ...they all owe each other money in some cases than not. And I think that some of the calls that we've certainly had in our office from some of the families are very concerned about being paid, will that financial stability be there, and as senators, when we build this budget, we are going to have to have that assurance. [LR568]

KERRY WINTERER: Right. [LR568]

SENATOR GAY: Any other questions? Senator Dubas. [LR568]

SENATOR DUBAS: Thank you, Senator Gay. Thank you, Director Winterer. I'm going to kind of follow along the same lines as Senator Campbell just asked. You know, I've had some contacts with constituents in my district who either haven't gotten paid or gotten paid quite late and concerns about, you know, the future, future funding and are we going to be able to be sustainable with that funding. I guess my question would be, are

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there any duties that we contracted with these providers to provide, they've ran into trouble being able to provide those services, so you as the department have kind of taken back those responsibilities? Is there anything like that going on? [LR568]

KERRY WINTERER: A lot of the effort that's occurred in the last several months has been very much along those lines and there have been some contract amendments that will affect some of the expectations on both sides. Todd, I think, can speak more specifically about what those are, but that's part of where we started from, and that is do we need to make changes in expectations on either side in terms of duties that these contractors have undertaken that maybe we need to think about and do in a different way or take back or whatever. And so that's a discussion that's occurred up to this point in time and that's really, in my view, that's an ongoing discussion. Even though contracts are contracts and they're written down and such, we can't just simply resort to what's written on the page if we're going to make this work. It has to be something that we can continue to have a conversation about. And if a contractor says, well, we just can't do this, for whatever reason--may be financial, may be because there are not providers available in their particular area, there could be all sorts of reasons--doesn't make any sense for us not to have a conversation about that and see how else we can do this, because we're all trying to get to the same point. If we start just drawing lines in the sand and say, well, the contract requires this and you have to do it, that isn't going to get us anywhere. [LR568]

SENATOR DUBAS: I would...I would definitely agree with you that it has to be an ongoing conversation. I guess my concern is the degree of accountability. I mean ultimately we're accountable to our constituents as taxpayers, as are you, and so, yes, I think it's very important that that's an ongoing dialogue and we're making adjustments as we go along. But I really feel strongly about having had a degree of accountability on the part of the private providers, as well as on the part of the department, so that we aren't spending more money than we can afford to be spending. [LR568]

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KERRY WINTERER: That's right. [LR568]

SENATOR DUBAS: You know how precious our dollars are,... [LR568]

KERRY WINTERER: That's right. [LR568]

SENATOR DUBAS: ...so we need to make sure that they're going and being spent accordingly. [LR568]

KERRY WINTERER: That's right. [LR568]

SENATOR DUBAS: Thank you. [LR568]

SENATOR GAY: Senator Gloor. [LR568]

SENATOR GLOOR: Thank you, Chairman Gay. Mr. Winterer, I'm pretty consistent in my questioning of you on this topic and it has to do with financial models, that we in this case have gone from the traditional fee-for-service model to an at-risk model. And although there's a lot of enthusiasm when people make a change to an at-risk model, sometimes there's a lack of knowledge... [LR568]

KERRY WINTERER: Right. [LR568]

SENATOR GLOOR: ...of how to make that kind of economic model work. My concern is that people were struggling; signed up with enthusiasm but with a lack of knowledge of how to make it work. And I think we agreed on the fact that there's a learning curve. I guess my question would be, since we've had this dialogue a few months ago, is your knowledge, your personal knowledge or feeling that people are in fact learning, that there is a learning curve here that will allow us to stay ahead of the problem rather than, it seems, falling behind the problem? [LR568]

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KERRY WINTERER: I think that's a good point and we talked previously about this point. And I have to admit candidly there's a learning curve on both sides of the table relative to how we manage and our expectation level of the contractors, and then at the same time on the contractor's side, because you hit on a very legitimate point that we just in fact talked with some contractors about yesterday and that is the idea that people are going from a fee for service to a capitated rate or a flat rate or however you want to describe that, and I think different contractors probably were more comfortable with that than others. And so some went into this with a better feeling and understanding of what this meant than others did and I think...and I think that's kind of the fact at this point. I think we're getting to where we need to be with the remaining contractors at this point, but there could have very well been kind of an unappreciation, if you will, on the part of some contractors about the change that was going to required and what's their financial model really in terms of fee for service versus the other, versus the other model, and it's a different...it's a different animal. [LR568]

SENATOR GLOOR: Okay. Thank you. [LR568]

SENATOR GAY: I've got a question for you. So on that change of the fee for service versus capitated model, I guess, you know, you took a little grief of not hearing from consumers and consumer advocates, but when you look at that, ultimately, at the end of the day we're here to serve those people. I mean when you look at that model, how often are you having discussions to make sure that the consumer is still getting what they wanted and taxpayers are getting what they're paying for as well? Because you can put all the models in the world together but, ultimately, you exist to provide those services. How often do the...I guess I would say the providers now that are still in the system verse the department,... [LR568]

KERRY WINTERER: Uh-huh. [LR568]

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SENATOR GAY: ...where does that consumer fit in there in this model? Because that is a big change and if they're not in that discussion somewhat... [LR568]

KERRY WINTERER: That's right, and you're exactly right because now the consumer's contact is really one step removed from us, if you will, relative to those contractors. And so now you...we need to look to the contractors to say how are you measuring, monitoring, ensuring that kind of customer feedback, if you will, and I would venture to say the three contractors here probably have a little different approach to that, but we're concerned about that. In terms of our discussions with the lead contractors, we meet frequently with them and, to the extent we're aware of problems and so on, that's...there are ample opportunities to discuss specifics with them as part of that. [LR568]

SENATOR GAY: And I would hope throughout the day that when we hear from them, they will discuss that too. I figured I'd give you that question. I know I could have given it to Director Reckling as well. But I think throughout the day we need to kind of keep that theme here. There are many sitting in the audience of course, but I do...that is I'm sure for every senator here is concerned about that. [LR568]

KERRY WINTERER: Sure. We all are. [LR568]

SENATOR GAY: Senator Wallman, you have a question? [LR568]

SENATOR WALLMAN: Thank you, Senator Gay. Yes, thank you for coming here. [LR568]

KERRY WINTERER: Uh-huh. [LR568]

SENATOR WALLMAN: And I'm picking up on Senator Gay's question about fee for services. So how many different benchmarks do you have as far as caring for disabled and things, three or four different things you pay on? You get what I'm saying? [LR568]

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KERRY WINTERER: Not exactly. [LR568]

SENATOR WALLMAN: Well, you know, like developmental disabilities, the severity of it all, what's your reimbursement rates, your fee services? [LR568]

KERRY WINTERER: Well, typically, the lead contractors would be reimbursing. They would subcontract or...in some cases or provide these services themselves and there would be a rate. In the case of a subcontractor, there would be a rate agreed upon for a particular kind of service and that would be between the lead contractor and the subcontractor to provide that service. That could be a whole array of services. I mean it could be a residential facility. It could be some kind of a group home. It could be foster care. It could be a whole array of services that are available and many times these are...these frequently are court mandated in terms of the types of services we have to provide. But the rates and such then would be a matter then between the lead contractors and the people they're contracting with to provide the service unless they're providing it themselves. [LR568]

SENATOR WALLMAN: Okay. Thank you. [LR568]

SENATOR GAY: Any other questions? Senator Campbell. [LR568]

SENATOR CAMPBELL: Mr. Winterer, one question I thought that you would probably want to cover today and thought you might mention it, but we got in our office late this morning that a letter had gone out to some of the agencies about the Visinet payment, so you must be ready to start paying the agencies. How are...how is that process going and what can we expect from the agencies getting their dollar back? [LR568]

KERRY WINTERER: Well, as you...I don't want to repeat what you already know, but essentially what we've tried to do is we've tried to take this, the money that we continue

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to owe to Visinet, essentially the last payment if you will, and decided that what we really needed was to ensure that people who were providing services to Visinet were going to get paid from that, and the first effort was try to...was to deal with the foster care families. That, however, took much longer than we expected because it was difficult to sort out and ensure and verify how much people were paid. We've just gone through that process and now we feel like we have made payments to the foster care families to the extent that we can, and we can verify that. That now frees up some additional dollars of that pot that we owe Visinet now to pay the subcontractors, the corporate entities, if you will, that have been providing services, and we're just beginning as of this morning now to sit down with them and say, well, this is what's left, how can we agree what we can pay you. So that's kind of the last leg of the whole Visinet cleanup. As you recall, we did...the employees were paid early on, shortly after Visinet went away. The employees were paid. Then we focused on foster care families. Now we're to the subcontractors, which is kind of the last leg of that. [LR568]

SENATOR CAMPBELL: So will the agencies...will we pay all the agencies the same rate or will we negotiate depending upon what they...this agency said that they were owed \$18,000, which in the grand scheme of some of the other figures we've heard is pretty low. But so will we negotiate with each agency or just kind of blanket... [LR568]

KERRY WINTERER: There are about...there's something over 100 individual providers that we're talking about and so it becomes very difficult to negotiate with each one of them. We've tried to kind of negotiate with some of the larger ones and some have stepped forward and said, well, I, you know, have tried to represent, if you will, the other providers. Our preference at this point and our approach is to say what we're willing to do is pay a percentage of all of this so that we don't have to negotiate specific services and specific amounts with each one of these, with each one of these subcontractors. [LR568]

SENATOR CAMPBELL: But we don't yet know that percentage. [LR568]



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KERRY WINTERER: That's correct. [LR568]

SENATOR CAMPBELL: Thank you, Senator Gay. [LR568]

SENATOR GAY: Any other questions? I don't see any right now. Thank you, Director. [LR568]

KERRY WINTERER: Thank you. [LR568]

SENATOR GAY: Todd, is your...is that this? [LR568]

TODD RECKLING: Yes. [LR568]

SENATOR GAY: Are you going to go through all this? [LR568]

TODD RECKLING: Senator, I'm going to be brief and let you guys read in your leisure time. [LR568]

SENATOR GAY: Okay. [LR568]

TODD RECKLING: I'm going to try to make my comments short and then turn things over to the lead providers, so that's my hope. [LR568]

SENATOR GAY: Okay. All right. [LR568]

TODD RECKLING: Try to pick up where Kerry left off a little bit, just to get you updated, as Kerry mentioned, we went from five lead contractors to three. You'll hear from KVC. They're in the eastern service area and our southeast service area. And Nebraska Families Collaborative is also here today. They're in the eastern service area. And in the

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northern, central, and western is the Boys and Girls Home. I don't know if you had a chance, and I won't get into details today, but we sent Senator Gay and Senator Campbell over a letter to provide you with an update what we've been doing since the May 19 hearing as far as activities. Just wanted to highlight a couple of those. Kerry had mentioned we are having quite frequent meetings with all of the lead agencies and we continue on a very, very frequent basis, either through meetings, phone calls or otherwise, to have discussions about how to continue to change and reform the system. We also took the opportunity over the last couple weeks and months to work with a national organization, the Casey Family foundation. They actually put up some money for Nebraska to be able to participate and they helped facilitate some technical assistance between the states. So we had the opportunity to go and interact with...or they came over the phone or came here to Nebraska with several of the other states, like Florida, Kansas, Tennessee, Illinois and others, to really understand how they've been going about their reform efforts. And as you asked, Senator gay, part of this is to also expand and really hear from our consumers. One of the things we know we need to do is continue to reach out. We've, in some of our service areas, we've started kind of like a little advisory group made up of different stakeholders in the system and...because some of our areas were in different phases of actually operating those meetings and in one of our areas we will actually start those meetings in September. I also have a partners council meeting that I do quarterly to stay abreast of situations. But as we talk with the lead providers, part of what we continue to try to say is how do we reach out and understand from those consumers how things are going. Kind of the bottom line of what we heard, from our technical assistance really, was that there are various reasons that the states are in different phases in where they're at with their reform efforts and basically the bottom line is every state is unique because of their judiciary, statutory requirements, the way their agency infrastructure is set up. Some of them, the catalyst for change was lawsuits or other type of judicial oversight efforts or different financial situations that those states were in. So we are trying to take the best of what's working well in other states, learn from those experiences, and tailor make what needs to happen so we can say this is what's going to work best for Nebraska. We

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also know that the states...you had asked, Senator Wallman, kind of about that fee, and Senator Gloor. There's about 25 states that are in some stage of doing performance-based contracting so...and about 11 other states that are somewhere either looking at it or contemplating what to do about it, that it really is a switch for the system. Part of this reform is going from a very prescriptive fee-based service to say here are the outcomes around safety permanency that the federal government is going to continue to measure all the states around; how do we collectively as partners achieve better outcomes in those areas. And the bottom line that we heard from the consultants and the other states we talked to as well is that it really does take time to reform the system, but through a continuous improvement effort those situations will continue to change. We're not done with the consultation. That will continue. We're getting additional information around how to monitor contracts and quality assurance efforts. One of the things we did here, and we have an identified consultant within the group, is there may be some opportunities to increase our federal Title IV-E funding related to foster care in these situations. One of the other key things I think and I left you with May 19 was some questions related to, as the system changes, adjusts and moves forward, kind of what does that mean for the other system partners. I then ask in several different venues to what are some of those changes, and you've heard about, well, is Magellan maybe changing practices. I just wanted the committee to know that we have orchestrated a group where we're actually sitting down with a pretty large constituent group of managed care, meaning Magellan; Medicaid; behavioral health services; my division, Children and Family Services; the lead contractors and talking about and having opportunities to dialogue around our treatment service is looking different now, is there a different rate of denials versus approvals? That meeting will continue and, if possible, maybe I could come and update some of you, either individually or otherwise, about how those meetings occurring and what we're finding out. But that gives us the opportunity to really walk backwards from anecdotal information to getting some information about specific kids and saying what were the reasons perhaps Johnny was or was not approved for a certain level of treatment care and how does that then play into whether or not we're able to capture federal treatment dollars or if it's under the

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child welfare system. We're also meeting with the behavioral health system. There's been some questions whether or not there's been some shift with behavioral health as far as use of sliding fee scales, and I'm sure the lead contractors will also mention that as well today. But there is an ongoing group that is trying to look at that issue as well. We've been working hard. There's been lots of questions and, Senator Campbell, you pointed out constituency concerns about late payments. You'll hear today from one of the contractors in particular about their efforts to address that situation and we're trying to address that also through some of the contract amendments. I won't go through a whole lot of details on the contract amendments. Those are available on our Web site and I'd be happy to provide the committee with any and all of those. But I just want to point out a couple of the highlights based on the conversations we had before. One of the things we've adjusted in our financial structure is that we were paying basically kind of a budget based dollar to the provider and then reconciling with the efforts, and where we're going to in the future, as of the end of September, all of the information will have to come in through the billing and claim process, be in our computer system, our N-FOCUS system, and then we'll (inaudible) be paying out on a "for reimbursement" basis. So as part of that change, we think it will help us collect better information, track the financial information better, and we also put in a requirement in the contract that was not there before about subcontractors being paid within 45 days of a clean claim, and you'll probably hear a little bit more about that or I can answer any questions. We talked about some of the financial penalties. Some of those we thought we could hold off on a little bit. Again, the issues are still very relevant but, as far as the penalties, they weren't really an issue so we, through working together as a partner with all the leads, have come up with some of these efficiencies. One of the big things we continue to face is the number and the length of time of kids in detention centers. We, as well as the lead agencies, are working hard to develop some plans by October to really address the kids and the length of the time that they spend in detention facilities. That's time potentially that those kids are not receiving what we believe to be the treatment that they deserve. You talked about kind of shifting roles and duties. We have, as the department, had clarification over rules and responsibilities. I've said this before and I will continue to say

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it. That's probably the area that will be the most dynamic and fluid as we find where we need to fit on that continuum of who's doing what and how things are being done. But we said very clearly one of the things we are now doing as a department is the protective capacity assessment whereas we have a different function now with the lead agencies and clarity around roles because that's related to safety assessment up-front. We also are working on some other things with the providers to continually gauge our (inaudible) process. Senator, I don't know if you need any additional information for Visinet that I can answer any additional questions that are related to where they're at with those payments. As Kerry mentioned, we're also getting better financial information and we're still working with the lead providers about what that looks like, how to gather it in a collective, consistent manner, and what that is telling us based on conversations that we're having. One of the things we've been working with as a consultant to also help us with...we're kind of calling it generically kind of a projection model. I mentioned this last time but what that really means is we want to be very consistent in the data that we're capturing, how we're capturing that data, how that translates into service delivery, service provision, the dollars that are flowing out. And this model, based on those service types, we will be able to plug in different scenarios so we can run calculations on our budget to say, for example, if we switch a particular service by 5 percent, how is that going to impact the bottom line budget statewide or in a particular area? If we switch from out of home to in home, how is that going to change things? So we are at a point now where we're plugging in data and we look forward in the upcoming weeks, like very soon next week, working with the lead contractors to share the model, input the data, have consistency and agreement and validation of what the numbers are so we can run, look at the numbers, be consistent, and talk about what the associated dollars means with those. We also continue to look at just the cultural changes that are occurring within our agency, within the lead agencies, and within the courts, and we will continue to address those items as well. I'll take any questions if you have those of me right now. Otherwise, I'd like to turn things over to Judy Dierkhising from the Nebraska Families Collaborative. [LR568]

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SENATOR GAY: I've got a question for you. When you say you're creating this model to change, if each...I'm going to call...each entity is doing something different, let's say, how would you create a model without them showing their here's how we run our business model? Is there protection of business models that they've...wouldn't...if I'm running a company, wouldn't I know what Senator Hansen's company is doing or Senator Howard's company is doing? If we're all putting it into a model, soon I'd figure out what he's doing. Is there...is this a competitive arena to serve these kids or...I mean... [LR568]

TODD RECKLING: Yeah, that's a great question. The model really is to make sure that we're counting things the same, such as kid count, family counts, and the service type. So they're...each provider has the flexibility and the autonomy to deliver services in a different manner, but they all have some common denominators, for example, foster care. So what we'd want to do is put in a service type that we would all agree on how to count foster care and then the dollars flowing into that, so we could see what that did to impact the budget. So there... [LR568]

SENATOR GAY: So they're more general than very specific. [LR568]

TODD RECKLING: Yes. Yes. [LR568]

SENATOR GAY: Okay. Senator Howard. [LR568]

SENATOR HOWARD: Thank you, Chairman Gay. Two questions: number one is the method of payment that you're using regarding the Visinet situation. First the employees were reimbursed,... [LR568]

TODD RECKLING: Yes. [LR568]

SENATOR HOWARD: ...next the foster parents, and now the agencies. Now will the

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agencies be paid based on what they're owed, on the bill they submit? [LR568]

TODD RECKLING: Senator, as Kerry mentioned, we have a set dollar amount that was available to us that was remaining on the Visinet, We actually had two contracts that came together, and so that dollar amount is the driving force. As Kerry mentioned also, we have about 100 folks that are expecting a piece of that pie, so to speak, and so we've been...Kerry and I had a meeting with some of the providers and we've tried to be very clear that there will be some percent on the dollar that we will be offering to the providers. So it won't be 100 percent. [LR568]

SENATOR HOWARD: It will or won't be? [LR568]

TODD RECKLING: Will not. [LR568]

SENATOR HOWARD: Will not be 100 percent. Do you have an idea how much a percent it's going to be? [LR568]

TODD RECKLING: We're just finishing up paying up the foster parents, so we're close to being able to kind of derive what that number is. [LR568]

SENATOR HOWARD: So it's similar to a bankruptcy situation. The last person in line gets what's left. [LR568]

TODD RECKLING: I wouldn't characterize it in that. What we did as part of the agreement with Visinet was we knew what the funding amount available was and we made an agreement around the availability for each of those three subgroups: employees, foster parents, and subcontractors. And we want to treat all the subcontractors equitably, so it's not last come, you know. [LR568]

SENATOR HOWARD: Well, they're the last group. [LR568]

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TODD RECKLING: They are the last group, but from the beginning of the agreement we had the dollar amount available for each of those three subcategories so that has remained consistent. [LR568]

SENATOR HOWARD: Oh. So the contractors are in agreement with being paid a lesser amount. [LR568]

TODD RECKLING: Quite frankly, Senator, I don't know if they are in agreement. Those are the ongoing discussions that we are now moving into, to talk with them and have those conversations to see if we can reach finality with that. [LR568]

SENATOR HOWARD: The second question that I have, if that is all right with you if I ask a follow up... [LR568]

SENATOR GAY: Yeah. Uh-huh. [LR568]

SENATOR HOWARD: Well, it's really a separate question. I understand that KVC was given the assignment, given the task, given the duty of training as of July 1. Am I correct in that? [LR568]

TODD RECKLING: I'm not sure what you are referring to. [LR568]

SENATOR HOWARD: Training their employees, their social workers within the system, the KVC system. [LR568]

TODD RECKLING: We have...the training we were doing jointly this past year and then in the future the providers will do training of their staff, yes. [LR568]

SENATOR HOWARD: And that went into effect July 1. [LR568]



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TODD RECKLING: I believe that's correct. [LR568]

SENATOR HOWARD: Were they reimbursed an additional amount to provide the training? [LR568]

TODD RECKLING: That would be part of their ongoing administrative costs. [LR568]

SENATOR HOWARD: So that there's no additional. [LR568]

TODD RECKLING: The money that we set aside is the money that we were previously paying for child welfare, so that is the dollars that are flowing into those contracts for both how they are managing their service delivery programs. [LR568]

SENATOR HOWARD: According to the original contract. [LR568]

TODD RECKLING: Well, the contract has been updated. We have made...I think we just finished up in the end of July. We're on about our fourth amendment so they've changed based on some of the efficiencies I described earlier, but the dollar amounts have been set based on the availability of funding and we've had those discussions with the contractor, so what's in my child welfare budget, what we need to hold out that's not within these contracts, and then the rest of the money is divided up proportionately among the contractors. [LR568]

SENATOR HOWARD: And these are the federal dollars we're talking about, the money that we get from the federal government regarding training for our staff. [LR568]

TODD RECKLING: These...federal...I'm sorry, I was talking about overall, federal and state dollars flowing to the child welfare budget. [LR568]

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SENATOR HOWARD: Okay. All right. Thank you. [LR568]

SENATOR GAY: Senator Stuthman. [LR568]

SENATOR STUTHMAN: Thank you, Senator Gay. Mr. Reckling, did the foster parents get paid what they were contracted for? [LR568]

TODD RECKLING: The foster parents, we, through our conversations with them, we asked them what they were owed and, based on them verifying that amount and submitting it, they were paid that amount. [LR568]

SENATOR STUTHMAN: Okay. Thank you. [LR568]

SENATOR GAY: Senator Dubas. [LR568]

SENATOR DUBAS: Thank you, Senator Gay. Todd, you may have touched base on it and it may be in this that I haven't had a chance to look through yet, but I'd like to ask you about how are you coordinating more of the efforts, like between the caseworker, between the courts, between the lead agency? I've heard some examples of where the lead agency maybe has put together a plan for the child and then it gets into the court system and the court or the judge says this is what you're going to do for the child, completely different from what the lead agency has said. The lead agency ends up having to pay for what the courts have said even though it wasn't their plan. And so I guess I see this cost and this lack of communication or coordination causing some problems on all levels. Is there any attention being paid to that? [LR568]

TODD RECKLING: Absolutely a lot of attention related to that specific issue. And if you will allow me, I'll just talk a little bit because I know the lead contractors will discuss that issue as well. [LR568]

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SENATOR DUBAS: Okay. [LR568]

TODD RECKLING: What we're...part of what we're analyzing is those relationships, so you'll hear some examples today of where we believe that this partnership that is growing and developing between the service coordinator and our case manager is helping to bring the best of two experts together to really focus in on how best to serve the child and the family, and so we have been able to have a few examples where we have been able to go back after maybe the court has originally offered and ordered a particular service or process for us to follow, to say, Judge, we've all gotten together, we've honored what the bottom line requirements were that you were requesting but we have a different plan and we'd like to submit that. That's worked on occasion. I can't tell you that that's a predominant philosophy of practice. Some of the judges may say it's regardless, I don't care, I want what I previously ordered. Part of those discussions are then talking about how do we collectively, as partners, in partnership with the courts, work together for the best outcome of the kids. There are sometimes difference of opinions on whether or not a particular child needs a treatment level of care versus a different level of care, and so that's part of this Magellan conversation we're having. We're trying to understand the treatment level based on medical necessity, and part of what the state and the lead contractors are dialoguing about is how best to work with the courts to understand that if we really maybe don't...if Johnny doesn't need medical necessity, are there other services that we can provide to him, wrap around him, and still get the outcomes that we believe are possible but not necessarily a particular court-ordered service. The bottom line is if the court orders it we're going to follow it and that was happening before this reform occurred. I was personally signing off on what we termed letters of agreement because I am obligated and mandated to follow state...a state court order. And so what that meant was that we were paying pure child welfare dollars when treatment services were not meeting medical necessity level but I was still having an ordered service for that, and that is one of those ongoing dialogues we want to continue to have with the court. We've also learned that sometimes we don't well articulate the reasons that a particular level of care could meet a particular child's needs

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and, based upon us further delineating what those requirements really are, we've been able to process that in some occasions with the judge or others either before or after, and that's been helpful for people to get on the same page about what those levels of need really are. [LR568]

SENATOR DUBAS: That was going to be my next question. It sounds like a lot of this is being done after the fact, after the court has made the decision. Is there more going on... [LR568]

TODD RECKLING: Yeah, part of...you'll hear from the lead providers, are trying to reach out to the courts. We've done some training and interactions with the court. We're certainly a part of the Through the Eyes of a Child regional meetings. Those types of discussions can occur at those Through the Eyes meetings. The Court Improvement Project has been a great partner with us. We're looking at, in particular you'll see in the PowerPoint, one of the things we notice, that there's been a long history of what I think the system would say is a greater need around mental health and substance abuse, both for our kids as well as adults. And so we've entered into an agreement and a technical assistance facilitated process that's called the IDTA for short. It's an in-depth technical assistance grant that we're working with the Court Improvement Project, Division of Behavioral Health, Medicaid Division and others to really take an ongoing look through some facilitated discussions on what other states are doing to address the mental health and substance abuse. But the court is a part of that and we're very thankful to at least be having those dialogues, as you say, more preemptively rather than after the fact. And that's a longer process but on a daily basis we're trying to have those discussions and dialogues so we can better address those situations beforehand. [LR568]

SENATOR DUBAS: Thank you. [LR568]

SENATOR GAY: Senator McGill. [LR568]

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SENATOR MCGILL: Hi, Todd. [LR568]

TODD RECKLING: Morning. [LR568]

SENATOR MCGILL: Thank you for coming. I have a question just about what kind of feedback you're soliciting from the kids who are actually in the foster care system and how, hopefully it's positive reform, should be positively affecting them. I know Senator Council was telling me on Monday about a focus group done in Omaha with different at-risk youth organizations, Boys and Girls Club, Girls Inc., where they were listing foster care as the biggest problem... [LR568]

TODD RECKLING: Absolutely. [LR568]

SENATOR MCGILL: ...they have in their lives. And so what kind of feedback are we trying to get from those kids themselves? [LR568]

TODD RECKLING: If I could back into your question real quick,... [LR568]

SENATOR MCGILL: Yeah. [LR568]

TODD RECKLING: ...I did hear about that foster care and it's unfortunate that the kids that are part of our Foster Youth Councils weren't able to come and talk about it. We've had a great pilot going for the last couple of years up in the Omaha area. Specifically, it's driven by the youth and they have a lot of activities going on to try to address some of those situations and issues that you heard about from those other foster care youth. So part of it is we're trying to grow those Foster Youth Councils and have the youth on youth continue to develop and grow. I can tell you overall one of the things that I've learned over the last few months is that we need to do more to reach out to our stakeholders, whether it's the families, the parents, foster parents, the subcontractors,

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or the youth themselves. I have a meeting actually later this week with Voices for Children to talk about that very issue. There's some different methods to solicit information. Part of what we're also trying to get is the advisory councils that I mentioned earlier in each of the local service areas. We've started those. Those will continue to grow and nurture themselves. But we have additional capacity to add some...some of those have youth on them, some of them need to get youth on them, and we will grow that composition. But that feedback about the consumers using the system is important and we're looking at different says. We have historically done some parent surveys, some foster parent surveys. Through our quality assurance development, I want to do more of that. And as Kerry and I have had the opportunity to talk to some of the...those subcontractors, it became clear very quickly that we had kind of pulled back and focused most of our energies with the lead contractors and I want to get something set up. I have my partners council where some of the provider organizations are represented, but I really want to have that ongoing dialogue with some of the direct subcontractors so we can talk about and hear what's going on and then collectively work with the lead agencies to make sure that we, as a totality in the system, are working toward the same efforts. [LR568]

SENATOR MCGILL: Good. And I know for many of them the issue is that they've been through so many different foster parents,... [LR568]

TODD RECKLING: Yes. [LR568]

SENATOR MCGILL: ...then it takes three or four to find a parent they feel really cares about them, and how to get that right match, or at least that's what I've heard from them in other occasions. [LR568]

TODD RECKLING: And you'll see one of the key federal indicators is placement stability and, quite frankly, that is one of the areas in particular that Nebraska has struggled with over the years. [LR568]

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SENATOR MCGILL: Uh-huh. Okay. [LR568]

SENATOR GAY: Senator Campbell. [LR568]

SENATOR CAMPBELL: Thank you, Senator Gay. Mr. Reckling, I want to go back to what's on the screen a little bit, on the very top there in managing the financial risk. At any one point in time, I'm assuming that the department is trying to get to the point that they would know who owes who money. Would that be accurate? I mean, will you be able to do that now with these accountability factors, you know, that lead agency A is owing this and this and this and this and this? I'm assuming that's what you're trying to get to so that you have some idea at what point there's a danger or a red flag appearing. [LR568]

TODD RECKLING: Absolutely, and we continue. We've had recent discussions so we're trying to...I had to ask for particular types of like a balance sheet and other financial forms, and when we started working with the lead agencies on that, we saw some...a little bit of difference in reporting. So we had had discussions between the department and the leads about what is the financial information that's most helpful to all of us, how do we capture and report that out collectively, and we have a form that's almost finalized that we will continue to work on and that...part of that is to look at those aged accounted, how much is out there and the length of time for those. Because, you're right, we do want to know what's out there so we can best understand what the current financial status and viability is. [LR568]

SENATOR CAMPBELL: Do each of the leads at this point, and I'm sure it's different for each one of them, but as Mr. Winterer talked about, I mean we do know that there's a lot of private dollars or dollars that have been raised from other means that are supplementing what money we're putting in. Do we know from each one of those leads the amount of money that they're saying, I'm willing to put in this amount of money but

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then beyond that I can't? I mean are we watching that closely enough to know again if there's any red flag? [LR568]

TODD RECKLING: Those are part of our discussions and they've been pretty...I mean they've been open and honest, as we have, to try to figure out where is that line. And in my opinion, they as an agency know where their bottom line is, and we also know that part of that is in some regards a moving target because we also know if we are changing the system and getting better outcomes and doing what we need to, we also believe that there's a light at the end of the tunnel, so to speak, where we believe that the financial situation is going to get better. We have always said that, as we are flipping the pyramid and making changes, it's going to take some time. The question is, when is that point and how do people...how are they positioned and postured going into that and when is that kind of breakpoint? [LR568]

SENATOR CAMPBELL: And one last question on that. As you are setting those benchmarks for yourself as to the...that the pyramid would start to turn, then at that point do we see a lessening of the number of case managers that we need at the state level? We looked at some of those figures this morning as we started our budget and we're assuming that you still have the same number of FTEs. Will that begin that pyramid also change? [LR568]

TODD RECKLING: I think that's a great question. Part of what I think we want to look at--and, well, you'll have my caseload report here hopefully in the next couple of weeks--but, you know, part of what we said this reform is about is producing better outcomes and with that we always want to be cognizant of the efficiencies and effectiveness for the dollars. What we are at least tied to right now as far as workers, and the lead agencies are also working on, is we try to adhere the best we can to kind of caseload...national caseload standards, and Senator Howard is very familiar with these. But in Nebraska we have an old caseload study from I believe either 1990 or 1992 where we actually set Nebraska caseload standards for workers per kid, workers



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per family, and we also are paying attention to the National Child Welfare League of America standards. For the most part, those standards are pretty comparable. And then the leads also have staffing ratios that they're trying to adhere to based on the particular models of service that they're delivering, which may look differently depending on how they're delivering the services. But to answer your question, going into this that's one of the things that we will continue to look at, is where collectively should those caseloads kind of be and it gets back kind of into Senator Dubas' question about, based on rules and responsibilities, I would like to do an updated caseload study. I understand that that would probably take some money but, on the same time, our work looks so much different than it did in 1992 and I'd really like to understand best what are the right ratios, both for our state agency and the lead contractors, to best serve the kids and get the outcomes that we want. Some of the states, like Kansas and so forth, you know, if you're more privatized than just kind of outsourced, the case ratios can look different. Depending on where you're at on that scale between kind of service coordination and case management, it can look different. But once things get a little bit more stabilized, I'd like to update that caseload study that would be applicable for both the private agencies and our agencies to say what does this look like and how do we need to adjust based on what we're seeing. [LR568]

SENATOR GAY: I've got a question. You said...I've heard this a couple times. You said they're going to see a light at the end of the tunnel. I mean, what does that mean, though? If you start doing something more efficient and the budget is what it is, it's not like the state is going to let a bunch of extra money lay around. Who's going to see the light at the end of the tunnel, the taxpayer or the companies? These are two nonprofits and one for-profit agency. I don't understand that because if...let's say you saved a lot of money, well, first of all, let's say the services are going to get better, which I think they would if you can invert this pyramid, but then the savings, who realizes the savings or what do you mean by it should be better, they should see a light at the end of the tunnel? [LR568]

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TODD RECKLING: Sure. [LR568]

SENATOR GAY: What does that mean if I start seeing the light at the end of the tunnel?  
[LR568]

TODD RECKLING: I guess I meant that twofold. One is better outcomes, so not just financially related but better outcomes. On the financial aspect, I think that again is a very good question. If we get to the point of cost savings, when does that occur, what does it look like, how big or small do we want it to be? Some of the other states have said we are okay with so much of a margin of profit with the private sector. Other states have used that cost savings and reinvested it into the system. Other states have used that and reinvested it on the front end of the system, more toward the early prevention, early intervention type services. So that's, I think, one of the questions that you as the ultimate policymakers will have input and decision making on if we get to that point: What does it look like? How are we going to manage that and what's our tolerance level? And what do we want to do and where are our priorities? Obviously, I have a bias. I believe that we should prioritize our vulnerable kids and families and that is the competing interest we have with many of my programs in my division. Various adults with disabilities or vulnerabilities need to be served and how do we best allocate those scarce resources to the populations that I'm charged statutorily with serving, and what do we do with that money? [LR568]

SENATOR GAY: So it's a prioritization or basically a reinvestment into services, new or improved services, at the end of the day possibly could be the choice of the Legislature. Are the contracts for two years or how long are these contracts for? [LR568]

TODD RECKLING: These contracts actually go through 2014. [LR568]

SENATOR GAY: So a couple budgeting sessions then. [LR568]

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TODD RECKLING: That's...yes. [LR568]

SENATOR GAY: Two, okay. But I guess at the end of the day then it's up to the Legislature to decide how much more. Because what I'm hearing from the people is there's not enough money in the system, here's where we're at. So I can't imagine...maybe I can, I mean it's hard where we're at in this budget, but that we're going to be flush with money and we'll say, oh, you know what, let's go give them more money. [LR568]

TODD RECKLING: And, yeah, and I don't know... [LR568]

SENATOR GAY: Usually doesn't happen. [LR568]

TODD RECKLING: ...I don't know the answer to that. I mean that is part of the question: Will we get to that point and what does it look like? [LR568]

SENATOR GAY: But that's the challenge or the opportunity, I suppose, that could be out there. So at the end of the day, when things are going well and we're providing better services, there will be an opportunity hopefully for policymakers to be a leader in providing services, delivering services. [LR568]

TODD RECKLING: You know, I'd like to have that problem of having too much money... [LR568]

SENATOR GAY: Yeah. But I think that should be the... [LR568]

TODD RECKLING: ...and trying to decide how to allocate it. [LR568]

SENATOR GAY: Well, but that should be the goal though or ultimately you just keep cutting the... [LR568]

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TODD RECKLING: Yeah, that's certainly part of it. And part of it is to get better outcomes. We have also said that we know that fundamentally this system needs to change because we're not providing what we need to, to the kids and families. [LR568]

SENATOR GAY: Senator Coash. [LR568]

SENATOR COASH: Thank you. Thanks, Todd. have you had a chance to look at the Attorney General's ruling on the transportation for the lead agencies? I know it's relatively recent. [LR568]

TODD RECKLING: I have briefly, Senator. I can't say that I could regurgitate it for you. [LR568]

SENATOR COASH: Okay. Well, I've got it in front of me and it looks like the interpretation of the Attorney General will require quite a bit more money for the lead agencies if they're required to become transportation providers under the purview of the PSC, and I'm concerned about that cost for those lead providers. I mean one of the things we heard from a couple of the providers we don't have anymore is that the cost of service exceeded the amount of the reimbursement is a factor in them no longer providing service. And this looks like another straw on the camel's back that may add to that and I'm concerned about that. So it's fair if you haven't seen it yet because I just saw it. I know it just came out today but I'm... [LR568]

TODD RECKLING: No. No, no, I did look at it a little bit. And to answer your question, I also had the opportunity to share it with the lead contractors. We will be discussing it. Also, through our analysis and review of that, we'll be getting to the point of what you're describing, what are the impacts both as far as compliance issues perhaps as well as financial, and what are potentially solutions to what this really means. Quite frankly, I'm not sure at this point because it is (inaudible) even what the Public Service Commission

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is going to do with it since it's an AG Opinion at this point in time. So we will be working on that and identifying it. I just don't have those answers today. [LR568]

SENATOR COASH: Thank you. [LR568]

SENATOR GAY: Senator Hansen. [LR568]

SENATOR HANSEN: Thank you, Senator Gay. Director Reckling, the slide number 11 shows that...and I'm interested in coming to this meeting to hear the lead agencies that are here today, but Visinet is not here. On the second bullet point there it says foster parents that requested payment have been paid. Are there some foster parents that did not request payment? [LR568]

TODD RECKLING: I believe that to be correct, yes. [LR568]

SENATOR HANSEN: Did they go into the foster parent system volunteering their time or...? [LR568]

TODD RECKLING: And I'm not real sure, Senator. I can tell you what I know. I sent out letters to about 499 foster parents back on June 4 and, as part of that follow-up, I sent a subsequent letter. I also did a news release and so I was very interested in having any and all foster parents that were owed money come so I could pay them. I also know that part of what we haven't got to yet, which I believe, you know, will help address this situation, is that I have not yet paid the subcontractors that we were talking about earlier. Part of those subcontractors have dollar amount owed in their request to us but it's based on foster parents. So, for example, they may have been an agency-based foster care provider and so some of those foster parents have been paid by the subcontractor, not myself, and then the subcontractor is waiting for payment through me paying the subcontractor. So I don't know that there's a whole lot of foster parents out there but tried to again make it clear to them and tried to reach out to them in various

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methods to say how is it, how you're doing, what do we owe you, what's owed to you. And some of our caseworkers also had contacts early on, as Visinet ceased operations, to talk with those foster parents. [LR568]

SENATOR HANSEN: That was just with Visinet, not the other lead agencies then. The 499 letters that went out were just with Visinet, is that correct? [LR568]

TODD RECKLING: Just to clarify, Senator, the 499 were letters to foster parents... [LR568]

SENATOR HANSEN: Uh-huh. [LR568]

TODD RECKLING: ...that were associated with them having some type of prior relationship as a Visinet foster parent... [LR568]

SENATOR HANSEN: With Visinet, okay. [LR568]

TODD RECKLING: ...or some subcontract through...to Visinet. [LR568]

SENATOR HANSEN: And one quick question: The foster parents that are still in the system with the lead agencies, do they have to request payment or does that payment come down automatically? [LR568]

TODD RECKLING: The lead agencies have actually already paid... [LR568]

SENATOR HANSEN: Okay. [LR568]

TODD RECKLING: ...those foster parents. If there are foster parents out there, again, I think I captured them. If some of them still are coming in we'll see what that number means, but I don't think it's much. And again, we started this back in June so we've had

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about two and a half months and tried to make it fairly public that we're interested in getting them paid. [LR568]

SENATOR HANSEN: Okay. Thank you. [LR568]

SENATOR GAY: Senator Howard. [LR568]

SENATOR HOWARD: Thank you. Thank you, Chairman Gay. I'm really stumped. When I was doing case management, we operated through the N-FOCUS, the computer system. When someone had a child placed in their home, we entered that date into the computer system. When the child left that home, that was entered into the computer system. The payment amount was entered into the computer system. Aren't there records on these foster parents? [LR568]

TODD RECKLING: Part of what we saw as kind of toward the completion of Visinet's operations is that we didn't have good information from them. [LR568]

SENATOR HOWARD: I thought every... [LR568]

TODD RECKLING: Should it have been in the N-FOCUS system? Yes, but it wasn't. [LR568]

SENATOR HOWARD: Well, am I correct, am I correct in thinking that the lead agencies, possibly the other agencies have access to our N-FOCUS system now? [LR568]

TODD RECKLING: They do, absolutely, and they're required... [LR568]

SENATOR HOWARD: So... [LR568]

TODD RECKLING: ...they're required to use it. [LR568]

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SENATOR HOWARD: Thank you. [LR568]

SENATOR GAY: Senator Campbell. [LR568]

SENATOR CAMPBELL: Mr. Reckling, one last thing. On...and it would have been slide 10 for those that have it, on the last part of it, one of the things several years ago, Senator Dubas introduced a bill or looked at a bill about requiring the department to be accredited, and there were a number of us who cajoled her at that point; said, you know, probably the most important thing that we can do is to hold our contractors accountable for them to be accredited. I'm sure I've seen heads nodding because we had some lengthy discussions and Senator Dubas was very kind to understand our rationale to that point. But now we are saying, well, we're going to give you additional time to be accredited. Does that say something about how we look at the quality of care or what we expect out of the lead agencies? [LR568]

TODD RECKLING: That's a very valid question. I'll answer it from my perspective and leads can answer it for you as well. In my opinion, it in no way diminishes the quality that we want to achieve. Part of this reform is to try to do what we hadn't necessarily done before. What I did before is I had a menu, said here's the service I want from you, here's how much I'm going to pay you. This new contract allows them to do different models of service delivery. Part of that is to try to move the system to use more evidence-based practices. We know that evidence-based practices take longer in time and so you'll hear from me as well as them that we are pushing in the direction of improved quality, not diminished. And so accreditation are some things that we think is certainly good to work toward; that where the agencies are at with some of them, like NFC, are accredited through their partnerships already for their independent organizations. But we certainly value that. I just really thought it made the most sense for the system at this time to push that out an additional year but still work very much toward those quality efforts. [LR568]



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SENATOR CAMPBELL: Thank you. [LR568]

SENATOR GAY: Any other questions? I don't see any. [LR568]

TODD RECKLING: Thank you. I'll be back. [LR568]

SENATOR GAY: You bet. And then, Todd, who...on...are we going to go with Judy, Judy Dierkhising? Okay. [LR568]

TODD RECKLING: I'm sorry. I'd like to introduce Judy Dierkhising,.....yes, from Nebraska Families Collaborative. [LR568]

SENATOR GAY: All right. [LR568]

JUDY DIERKHISING: Thank you. I think we're going to move this forward here a little bit to this slide. Well, thank you very much, Senator Gay and other senators of the committee. We appreciate being able to address you this morning or, I should say, this afternoon. It's been a long morning in the process. I have 15 slides today. I'm not going to dillydally on those 15 slides. What I am going to share with you are five main areas and those five areas basically are, in very brief form, who the Collaborative is and who are the families that we serve; also, what are our challenges and what are the needed collaborations and what successes have we had. And being sensitive to my other colleagues here that are to present, I will keep an eye on the clock and I trust you will as well as we move forward. As you all are aware, the Nebraska Families Collaborative is a representation of five very longstanding, well-respected organizations in the Nebraska communities: Boys Town; Child Saving Institute; Heartland Family Service; a peer mentoring group, Nebraska Family Support Network, which really is a very strong representation of many workers there who have been part of the child welfare system themselves, have been successful in having their children return to them and are doing

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that one-on-one work. So when we talk about two of your questions where how do we hear the voice of the consumer, most of our families are connected with the Nebraska Family Support Network, our peer group, and have intimate relationships as far...I shouldn't say intimate, close relationships, working relationships in being able to talk about their concerns as well. And then OMNI Behavioral Health. Combined, they have had over 400 years of experience in juvenile justice, child welfare, and the behavioral health system. This is a very difficult slide. I had one aha a few moments ago that there is a generation gap when I saw the small (laugh) print that Todd had up there and mine are very large from here on out. So I'll let you look at how we are set up but we are basically, as an organization, set up on five different sites in the community, in the Douglas and Sarpy County area. We have sites associated with our five collaborating partners and we are able then economically to work with some of that as far as some of the support. But we are a separate entity. Boys Town is not NFC, OMNI is not NFC, and so on. We are a separate, stand-alone, not-for-profit organization that was established specifically to work with the state in regard to the child welfare system. I'd like to share just a moment our model, and that explains how we operate here. We do not provide any direct care to the children and families we serve. We subcontract with a number of different subcontractors in the community. We over a hundred and some contracts. We are not a child placing agency. We contract with ten child foster care organizations in order to provide foster care and so on. There was a question about the accreditation. All of our agencies that are providing foster care are accredited by different organizations. Many of our other services are accredited by appropriate accrediting bodies. We are on track to have our accreditation done, as was earlier stated, as NFC. From the moment we began to develop NFC, we stated on that track one of our requirements was that our application was put forward. We're going to be working with JCAHO and that was completed by the end of last calendar year. It's already been applied for and we have a number of components already moving forward with that as NFC. The only time that we provide services is we are...recently we have begun to do some family support by having individual staff do only family support that are employed by NFC. That will be for a short time until our capacity is built up where we can do that with our other

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collaborators so that we have the amount of capacity. We have 85 staff. We have a large number of service coordinators. Our ratio very much meet the guidelines of the National Association of Social Workers. We have 1 service coordinator for every 14 families, and we have 1 supervisor for every 8 service coordinators. That includes approximately 20 percent of our staff are forward-fill staff, so we'll talk in a moment about some of our turnover and what that has meant, so we always have trained service coordinators that are ready to step in when we do have turnover. We also have as part of that model, I failed to mentioned, our licensed mental health practitioners who are assigned to teams. We have seven teams and they are assigned to assist with behavioral health. This is just a little bit of a display of how the model operates. It's not business as usual. Even though we have strong organizations that have been here in Nebraska for a number of years, it certainly isn't the same method that has been there before. It's not same method as what we were used to operating. So this is a little bit on our service delivery model. Let's see if I missed a number here. Okay. We have a strong commitment to continuous quality in our organization. We mentioned 51 subcontracts plus additional, some 90-some additional letters of agreement. In short, our subcontractors are those individuals who must comply with all of the regulations that we have in our contract, and we have standing contracts with them. I mentioned 90-some letters of agreement. They may be one-time letters where there has been a particular court order to have a child cared for in a particular state or another area where we do not have an ongoing subcontract, so we would do a letter of agreement. Or perhaps it's a counseling. But those providers are expected to meet our criteria in our contract as well. So when you take those 90-some letters of agreement and add it to the 51, there's where the number is of the contracts that we're monitoring. We have strong evaluation and monitoring, not only to meet the contracts but to meet our criteria as part of our quality in regard to our model. We have really stayed very, very faithful to our evidence-based staffing criteria of the 1 to 14 and have been able to attract...track and evaluate our effectiveness. The last bullet on there mentions a system called Penelope. N-FOCUS is our system that we must comply and must put all of our data into, of which we do, and the numbers that you'll see today are N-FOCUS numbers that agree with us.

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We agree with the numbers that are there. Penelope system is a system that we brought up prior to beginning our work with the state. It is a tracking system. It allows us to do our billing, it allows us to know at any time where a child is at, it allows us...as N-FOCUS does. It's a very timely piece in that it works. It takes no place of N-FOCUS so it's not a duplicative system in any way. We do not keep any data in there that would be clinical data and so on. It's strictly a utilization review system. As far as who we are serving, at this particular point, I should say the end of July, we are serving actively 1,085 children, which is a total number of 583 families. You can see some of the one kind...one-time services that we have had referred to us. Those would be services for the most part where we provide a service and it would not have a family that would go into our service coordination on an ongoing basis, or in some cases it may. That family may have then become our family that we manage. Since we have become our operation and the transition, we have received 293 new families that have come in as well for service coordination. So how that's representative is that that's 941 court-involved, we have 103 non-court-involved youth as well, and I'll speak to that in a moment, and then the safety evaluations. On top of that 1,085, we also have 118 youth that are in aftercare. So if you place those two numbers together, those would be the numbers that we're working with and we've not had long enough to be operational for the year to meet our criteria of working with aftercare families for a year. As far as the summary, continuing here, we have had 186 youth placed in relative and child-specific homes, which is really 28 percent of our out-of-home children. Even though a child is placed with a family member, it is still considered to be out of home, and that certainly agrees with our N-FOCUS data as well. We have been able to maintain our staffing at 100 percent and our retention and turnover of our staff has been very low. Particularly we're quoting you there numbers from May till the end of July. As I mentioned, we have 20 percent forward-fills as well. Want to share with you a few of the challenges that we are facing and I would like to just walk through these very briefly and then I want to concentrate on three areas, if I may. Creating the alternatives to detention, this has been a real challenge for us and we are well on our way to finding some solutions with that, but that has been a challenge. The treatment expenses, Todd and others have

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mentioned that and we'll continue to mention that. That's been a tremendous challenge for us. Certainly when court-ordered treatment is part of our must do as a contractor, and we certainly would do that, we have found that we've been able to work a lot closer with the judges, and I commend them for that, and for Magellan, Medicaid, and others, as Todd mentioned and Kerry Winterer mentioned, and we're able to now begin to look at other options. If, for example, a court order read that a child was to receive treatment care at a particular level and yet they were not meeting medical necessity based according to the criteria, then Medicaid would not pay for it even though they were a child in the child welfare system. Well, if we went to providers and had them assess this child, if the child met the level of care, then we would end up paying for it if we could not find another system to do. If the child did not meet the particular level of care, for example, that was ordered by the court but a lower level or a higher level, then we would work and go back into the court and ask if we could have that qualified at a different level of care, more appropriate to the needs of the child, which then would make it medically appropriate for Medicaid to pay for. But I will tell you and share with you that has been our biggest, biggest challenge financially, and I'll comment on that in just a moment. We also are seeing that we are having more children placed at home but we need to increase that even more so with our supports, moving to permanency sooner. Some of the things here are just very, very logical in regard to also system collaboration. It is very key that we work with HHS, with the judges, with the schools, with a number of stakeholders, with the family being the center of those stakeholders, of really helping the family be successful, and I hope that we will begin to see over and over again some of those successes. The three pieces that I just really want to comment on in regard to what we're seeing in our three variances financially, when we began to budget and work with treatment services, we utilized data that was available to us from a number of different sources. We budgeted in our budget \$100,000 a month for nonreimbursed treatment services that did not have any source of reimbursement. I can tell you, in the last several months, particularly after our four months of transition and having all of our children transition to us, we are running an additional \$122,000 a month in unreimbursed treatment services. So we budgeted for \$100,000; we're paying

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about \$220,000 a month, our noncourt cases. We are delighted that we have more noncourt cases. I think that's a true sign of some of the successes of reform. We did not budget for our noncourt cases not knowing that we were going to have this significant number. Again, we are delighted. Most of our costs are connected with our peer mentoring group in regard to our noncourt cases. And we want to have families not be involved in the court systems, we want them to be successful in other ways. And so I will tell you that that's about an additional \$50,000 a month that we did not budget for but has been successful in showing some outcomes. The additional dollars that we are finding are really due to foster care. And besides what we budgeted for from data that we've had, we are really paying an additional \$162,000 a month from what we had planned we were going to be spending. So when you add those up, you're looking at a little over \$350,000 a month that we are spending more than what we had budgeted. Some of the foster care will be corrected because we are looking at a different structure. We purposely did not change any of the structure the state had in place for the first eight months because we did not want to disrupt families on how they were set up. We did change our rates September 1...excuse me, August 1. And we had a group of families, foster care agencies, foster families working with us in order to adjust the rates, so they were very involved with that. I just want to make a couple of comments so I can hand over to my colleagues here because I don't want to take up all the time. I think just to give you a couple of positive stories, talks about system collaboration. I'd just like to share with you maybe a couple of stories here; there are a few. But wanted to share an example of what we have found. We've had many positive stories, but I'd like to share a couple here with you. In regard to a youth who became involved in the juvenile justice system, an older teenager who went out with friends doing some activities that perhaps were not the best judgment of teenagers, and found himself, from a complaint of another parent, involved in the juvenile justice system. This young man was a very successful student, was on his way to college. And so our service coordinator was really able to collaborate with the CFS workers at the state and to get the appropriate assessments moving forward much more quickly than would have done before. So it was appropriate assessments, appropriate timing, appropriate placement issues,

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appropriate treatment issues, and the young man went on to be very, very successful, complete the appropriate treatments and needs and was through the continuum of the child welfare system within two months and onto college this last fall. There are a couple of other examples here of successes as well, but I'm not going to take the time since I'd like to pass to my colleagues and see what questions you have. [LR568]

SENATOR GAY: Shall we...let's do questions right not. Is that okay, Judy? [LR568]

JUDY DIERKHISING: Certainly. [LR568]

SENATOR GAY: Senator Coash. [LR568]

SENATOR COASH: Thank you, Senator Gay. Judy, you said you're around \$350,000 a month additional... [LR568]

JUDY DIERKHISING: Additional than what we had budgeted. [LR568]

SENATOR COASH: ...than what you had budgeted for. That scares me a lot. You didn't... [LR568]

JUDY DIERKHISING: It scares us a lot. (Laugh) [LR568]

SENATOR COASH: Okay. Well, I didn't get any fear in your voice during the testimony (laughter). I mean, you're very confident, but I'm concerned about that but your confidence tells me that you see something changing, and so I... [LR568]

JUDY DIERKHISING: Yes. May I share what that...with you for a moment? [LR568]

SENATOR COASH: Yeah, please. [LR568]

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JUDY DIERKHISING: Our partners collaboratively committed to put in \$2.5 million the first year. And when we unrolled this and looked at what was there, our partner stepped up and said, you know, we know the funding is there until the end of fiscal year 2011. We will add in an additional \$2.5 million for you to function. We have definitely, we have that commitment. It's very strong, the money is there. We have not used as much as we thought we would of that money as we've gone through. But I have to say we've been very prompt in our billing, payment of our bills, and we're very up to date. And so we do know where the money has been set aside in order to pay for it. Do I believe we'll spend all of that \$5 million by the end of those two years? Yes. And I think the efficiencies that we've set out, we've worked with the state, we've worked with our collaborating partners, we've worked with a number of our contractors to believe that we really are going to make some differences with those dollars. And I think that I'm very confident that we'll be able to work. I think we just need to see that happen. [LR568]

SENATOR COASH: Okay. You'll let us know what you need (laughter)? [LR568]

JUDY DIERKHISING: Definitely, I would most like to do that. [LR568]

SENATOR COASH: Okay. [LR568]

SENATOR GAY: Did you have a question? [LR568]

SENATOR STUTHMAN: Yes. [LR568]

SENATOR GAY: Senator Stuthman. [LR568]

SENATOR STUTHMAN: Thank you, Senator Gay. Thank you, Judy, for your presentation. I was very interested in that and I was very interested in what Senator Coash had talked about, your loss of \$350,000 a month. Now, I utilized your figures and I'm trying to assess as to, you know, what is this really costing the state per individual



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child that we're giving services to. Now, you've lost \$350,000 a month; you're servicing about 1,200-and-something kids. [LR568]

JUDY DIERKHISING: Um-hum. [LR568]

SENATOR STUTHMAN: You have the ones that are doing the work. There's 90 letters of agreement for people doing the work. You have 51 subcontractors doing the work. You have 85 staff people managing all this subcontractors. And then, you know, you're a contractor of HHS, which HHS, you know, has numerous people, staff working on this project. That is the issue that I have is how many people and how many dollars are involved with taking care of one child? [LR568]

JUDY DIERKHISING: Yes. And the dollars that I quoted you and the expenses that I talked about, they're above and beyond what we've budgeted are all direct-service dollars. It does not take into the account of about \$3.5 million of annual cost for service coordination. So I think that you look at that, what we need to do and as we go forward, and we've put those wills into working order is that we look at very directly how we deliver services. Is there a better way of doing it? And we've changed a number of things already. We set our organization up a little bit differently than we had before. We know that we need to get on top of the treatment services much more quickly than what we had before. We know that we need to work much more closely with the state. And I have to say very positively they've really worked with us very close to move children through the system in an appropriate manner, not too quick because we don't want families to be coming back into the system. We want them to be successful. So all of those efficiencies are well in place and are actively happening. We have a set of about 12 efficiencies that we've laid out; it's been presented to our board. There have been dollars attached to each and we have a progress every month that's reported to our board as to how we're doing on those. It may include changing our model a bit as we go, but that will be brought forward to the state and shared with them and asking that that would be acceptable as well if that were to happen. [LR568]

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SENATOR STUTHMAN: One other question I have is, the individual that you said you've gotten him turned around within that two-month period... [LR568]

JUDY DIERKHISING: Yes, sir. [LR568]

SENATOR STUTHMAN: What do you credit that to? A family support or your people or how do you...what do you credit that to? [LR568]

JUDY DIERKHISING: I think I credit it to a number of systems, and I think that there was family support that was there which was very obvious and it was the very footwork of the service coordinator. That was their attention given to what needed to be done to work with this year's youth and to work very closely with the state, with the CFS worker, you know, who determines that safety and who determines the issues that are there. And so it was a great collaboration together of working together and they kept it moving; it didn't sit. And if all my service coordinators, our service coordinators, have to do is concentrate on that family, then they are able to move. You know, right now we have a larger number of children that are available for adoption and guardianship, and we're working very closely with the state in order to move those forward as well. [LR568]

SENATOR STUTHMAN: Okay. Thank you, Judy. [LR568]

SENATOR GAY: Senator Howard. [LR568]

SENATOR HOWARD: Thank you, Chairman Gay. Judy, thank you for doing this. [LR568]

JUDY DIERKHISING: Yes. [LR568]

SENATOR HOWARD: And thanks to Boys Town for being such a committed agency to

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see this through. You've been in social work for a long time and... [LR568]

JUDY DIERKHISING: A few years. [LR568]

SENATOR HOWARD: Yeah, a few years, both of us. We've known each other those few years. And I'm so grateful that you're actually doing social work. You're not saying we're basing this on a business model. We're not saying that we are going to...we're going to do something other than we are. We're staying true...Boys Town is staying true to their mission. They're doing quality--that's a word that kept coming through to me--quality job for these children which is what they deserve. So my question is, can you stay longer? I know you want to resign in September, so (laughter) can you just stay with us and see it through? [LR568]

JUDY DIERKHISING: Well, actually I'm retiring the end of next month... [LR568]

SENATOR HOWARD: Call it what you will. [LR568]

JUDY DIERKHISING: ...due to my family illness. [LR568]

SENATOR HOWARD: It's a loss to have you go. [LR568]

JUDY DIERKHISING: But we have a new director coming on from California who is very experienced in the child welfare and behavioral health system. [LR568]

SENATOR HOWARD: Well, thank you for that. [LR568]

JUDY DIERKHISING: And I'll work with him for awhile. [LR568]

SENATOR HOWARD: You'll stay, I'm glad to hear that. I want to ask a question related to what Senator Coash asked. And no one has deep enough pockets to continue to pay

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out this sum of money month after month without seeing some point where you're at least going to be even up. [LR568]

JUDY DIERKHISING: Um-hum. [LR568]

SENATOR HOWARD: Is that realistic to say that to you? We don't have more money. I'm just speaking from my knowledge that we have here. We're not going to be able to come in and ask for additional funding. I wish we could, but. [LR568]

JUDY DIERKHISING: I think it's very logical. You know, an organization can't go on forever... [LR568]

SENATOR HOWARD: Right. [LR568]

JUDY DIERKHISING: ...without at least breaking even at some point. And our collaborating agencies are very committed to the state and to children and families. That is why we need to move with our efficiencies. We need to look at additional fundings wherever those are a part of private or other situations, public, etcetera. So I think we need to move with that and I think we take it, as I mentioned, we know what the dollars are through the end of fiscal year 2011 and we keep moving with it to look for other sources as well. [LR568]

SENATOR HOWARD: Good for you. Let us know where you find those (laugh). [LR568]

JUDY DIERKHISING: Absolutely. [LR568]

SENATOR GAY: Senator Campbell. [LR568]

SENATOR CAMPBELL: Thank you, Senator Gay. Judy, I just wanted to be sure I heard you right in the saying that you had over the course of two years you expect to put in the

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\$5 million. [LR568]

JUDY DIERKHISING: Yes. [LR568]

SENATOR CAMPBELL: Does that include or not include the service coordination?  
[LR568]

JUDY DIERKHISING: The \$5 million is for the full budget, for... [LR568]

SENATOR CAMPBELL: Full budget, so it includes everything. [LR568]

JUDY DIERKHISING: Yes, for the delta, the gap between what is being funded by the state, and what that gap is, yes. [LR568]

SENATOR CAMPBELL: And I, too, want to add my thanks to the agencies. I think a lot of this, in this case, a lot of people don't realize how many private dollars are going into this system day in and day out to care for kids. And thank you very much. [LR568]

JUDY DIERKHISING: Thank you. [LR568]

SENATOR GAY: Senator Dubas. [LR568]

SENATOR DUBAS: Thank you, Senator Gay. Thank you, Judy,... [LR568]

JUDY DIERKHISING: You bet. [LR568]

SENATOR DUBAS: ...for all the work that you've done. And, obviously, you've recognized that you are going to have to infuse... [LR568]

JUDY DIERKHISING: Yes. [LR568]

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SENATOR DUBAS: ...a large number of private dollars in order to be able to carry this program out. If those private dollars weren't there or if they weren't there to the degree that they are, would you see yourself having...what degree of difficulty would you have with paying your subcontractors, ultimately making sure foster families are receiving the dollars that they have coming to them? If those private dollars weren't there, where would you be at today with your services? [LR568]

JUDY DIERKHISING: Well, as you've said, Senator, those dollars are there, so we know how to...we need to work with that and how their...but it would be a struggle, it would definitely be a struggle if there was not a funding source. And I know all of the contractors went into this knowing that they were going to be putting money in to be part of the reform but it would be a struggle. At this point... [LR568]

SENATOR DUBAS: Well, yeah, and obviously the dollars that you had planned on and it was more than that. [LR568]

JUDY DIERKHISING: Yes. [LR568]

SENATOR DUBAS: So was that a surprise to you that the dollars were that much more or... [LR568]

JUDY DIERKHISING: You know, I was not here in the very, very beginning. I've been here a little over a year, and in working with it, but looking at the history and some of the work. It was not a total surprise, but what the surprise was, was in those three areas I identified for you--the extended expense due to the treatment, the additional cost to foster care, and then the noncourt cases. [LR568]

SENATOR DUBAS: Thank you. [LR568]

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JUDY DIERKHISING: You're welcome. [LR568]

SENATOR GAY: Senator Gloor. [LR568]

SENATOR GLOOR: Thank you, Chairman Gay. Judy, I have no doubt you're committed to the reform or that the collaborative is committed to the reform. I...and by the way, thank you for that personal level of commitment to Nebraska's children. But are you as committed now that you've jumped into this new payment approach towards being at risk as opposed to the old fee-for-service basis of reimbursement. [LR568]

JUDY DIERKHISING: Well, that decision was made before I came on because the contractors knew that it was an at-risk model. And I can speak to you very honestly and up front that those are the commitments that we have today and knowing that when all of our collaborating partners went into this, they knew it was not going to be a fee-for-service model. [LR568]

SENATOR GLOOR: Do any of the agencies involved have, as part of the collaborative, have any other contracts? [LR568]

JUDY DIERKHISING: Oh, yes. [LR568]

SENATOR GLOOR: Have any others experienced that are at-risk-type contracts? [LR568]

JUDY DIERKHISING: Yes. [LR568]

SENATOR GLOOR: Really? [LR568]

JUDY DIERKHISING: Yes. [LR568]

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SENATOR GLOOR: That's interesting. Thank you. [LR568]

JUDY DIERKHISING: You're welcome. [LR568]

SENATOR GAY: Any other questions? [LR568]

JUDY DIERKHISING: The only, Senator, that wouldn't be would be NFSN. [LR568]

SENATOR GLOOR: Which is? [LR568]

JUDY DIERKHISING: Nebraska Family Support Network, yes. [LR568]

SENATOR GLOOR: Okay. [LR568]

SENATOR GAY: I don't see any more questions, Judy. Thank you very much. [LR568]

JUDY DIERKHISING: You're welcome. [LR568]

SENATOR GAY: Thanks. [LR568]

JEFF HACKETT: First of all, senators and Senator Gay, thank you very much for the opportunity to address the group. And, Senator Howard, I would share your concerns about Judy leaving. We've all grown to be very impressed with Judy's ability and she's been a great help to me personally, so I'm going to miss that. First of all, my name is Jeff Hackett, for the record. I've heard people spell their names, and Hackett is H-a-c-k-e-t-t. I'm the operations officer for Boys and Girls Home and Family Services. Given the time, we are due to end at 3:00? [LR568]

SENATOR GAY: No. [LR568]



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SENATOR HOWARD: No. [LR568]

JEFF HACKETT: I was wondering how this was going to work. I thought what I would do is talk or highlight some of the slides, and then leave the rest of the time for questions because I know you have a lot of questions for me. This slide is basically describes the mission, what we believe about working with children, families, and communities. And the only thing I would add to that, when you see revitalizing humanity by restoring hope, the one thing that our families share is hope is diminished if it hasn't altogether disappeared. We deal with a lot of families that have no hope of a better way of life, of the state, of us getting out of their life, of having anything approaching normal in varying degrees. They also don't have stability. Many of them either because of their living situations, their marital situations, the mental health or drug abuse going on in the family, there's no set schedule, the children will be getting up, eating, doing whatever they're going to do with really no supervision, with no sense of there's a rhythm to how we live in our family. And the other one is connectedness. Our families tend not to be part of a community. They may live in the community for a long period of time but they don't have what you might want to call a social support network. And by example, I've driven through every town probably in Nebraska, sometimes not by choice, I got lost. But no matter where I'm at--and it has happened--if I run into a problem I've got people I can call. And I'm not even talking about at work, I'm talking about someone I know in that area that I've worked with, family, friends. Our families don't have that kind of connection for a variety of reasons. And that's part of what I really appreciate about the reform is that what we have done with families and child welfare for decades is we bring the family in, we tell them what's wrong and what they need to do about it. We basically take the responsibility of being a parent away. We take the responsibility, to some effect, even of being an adult. We will give you gas vouchers. We will do this. We will do that. You will go here. You will go there. And that's what I really...one of the other elements I really appreciate about reform is really working with the family so that what are we going to do? We're here to support and to work with your strengths and identify where we can, with others, help you and move it along rather than families being

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involved in our system for, in some cases, generations. That isn't going to happen overnight and it's not going to happen in every family but it will happen. As mentioned, I'm thinking...okay, this button I think. Yep. And just briefly here, particularly the bottom bullet, the learn, teach, and model as a value of ours. The learning also is learning from the families, them teaching us, too, about what their situation is and valuing and respecting that. And the modeling of the behavior. If you want to encourage folks and assist them in standing on their own two feet, you better be respectful in how you do that, and they will...and you need to model that. I'm challenged with technology. When this is...just real brief, our organization was started in 1894, Civil War widows with a lot of kids on the street who were thought to be orphans. And so they came together and said, well, we really care about kids. Well, if you do that, then you better serve them. And that's how it started. And during the course of that time over decades, we realized that these kids aren't orphans; they had parents, and some even had homes but they have run away, there's drug and alcohol abuse, physical abuse, they have mental health issues. It could be a wide variety of things. So then we had to do a bit of a reassessment. If we really care about kids, then we have to care about families, that the only context you really need to work forward on, in 99 percent of the cases, you need to treat the family or the child in the context of the family because no matter what you do, the child will age out of the system and will return in some way, shape, or form to that family. And if you've separated that, if you've eliminated that tie, that bond, you have really done everyone a disservice. Then in the 1990s and after about 100 years of doing this, we took a look at particularly our South Sioux operation where we have a lot of residential treatment, high-end treatment for children, and we would work with their families, but that was frequently telephonic or monthly visits. And we had many children in there from central and western Nebraska. So then we did another check of, are we doing what we need to be doing. And that's when we decided if we care about kids, you got to care about families. And if you're going to work with families, you got to work in communities. And that started for us our movement into more of the rural areas of Nebraska. We avoided, on purpose, the urban areas because there were services there. We didn't want to go and provide services and compete with others that were

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already doing it. What's the point? Resources are limited; don't be squandering on that. So that's what started our movement into the rural areas of Nebraska. And the recent change has also been a lot of that with form, and we're doing a similar contract in Iowa. Our Iowa operation is somewhat similar to this, that if you really believe children, families, communities, then you really have to be family-center, you really have to focus on interacting with the family in a different way. Oh, boy, I must be behind. Strengths and partnerships. This is going to be successful as we travel on, we'll be all-around partnerships. And we have been successful in some of those; we have been unsuccessful in others. Our partnerships with our subcontractors, for example, I'm not proud of that. And working with our consultants, and you'll see that later, we'll be going through some of that stuff. I don't even have a remote at home, so this is...(laugh) The climate that we're currently in...and I'll just highlight some of them, the second bullet about the financial climate given the current situation nationally in the Midwest, Nebraska, and locally, there is a lot of financial stress in our system, in our families, in us, in our organizations. And so demand typically in those times increase; there's a greater need for services. And we're seeing some of that too. And what we don't see is an increase in funding to meet demand. And that I understand perfectly because states are in a jam. Those are the issues, but we got to figure it out and we do that through partnerships. Let's see. Reduction in force implemented in order to restructure, third bullet. As many of you are aware of, we have done a reduction in force; we have done two of those. The first one was done about three weeks ago. And that was...involved 25 positions, and those positions were in support and administration. None of those positions had a direct impact on how to home reform, and that was agencywide. In fact, at least half of that, of those positions that we downsized and that we eliminated were on my floor in our central office building in Sioux City. And with that, too, we've restructured our billing mechanisms in departments--how we do data entry, how we track, and our human services or human resource department. But that's where that first one was. The second rightsizing occurred Monday of this week; it involved 28 staff, and virtually every one of them are part of the out-of-home reform program that we're currently operating. What led to that is...again, some of that will be addressed when I

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talk about the consultants we're working with who have been involved in working and developing lead agents in child welfare reform, which is what we are. And I think Judy... (cough) excuse me, I'm talking antihistamines and I forgot to bring my water. What we are working on is...I didn't realize it would be that easy (laughter). This is... [LR568]

\_\_\_\_\_: She'll get you one. [LR568]

SENATOR SULLIVAN: He's got one right there. [LR568]

JEFF HACKETT: Oh, thank you, thank you. What we did with...we eliminated 28 positions. By and large, those positions are support, case aides, some of them are what we call C2s and their the ones that do some of the in-house work with the families. What we got into in terms of how did we come to this point where we actually had to reduce staff, a couple of things. One, the initial model we set up we made some assumptions. And one of the assumptions was that we were going to be able to have our service coordinators actually do some billable work too. That isn't possible. We had different subcontractors relationships depending on availability and where we were in the state, and in other places where we hired our own staff to do that, and also a lot of it, quite frankly, is due to me. My push was, given the time we have to get this program fully implemented in the state of Nebraska in three service areas which cover basically 80 percent of Nebraska land mass, we're going to have to move quickly. We hired 350 staff. The downsizing that we have done for out-of-home reform affected 28. That does not minimize the loss of 28 positions. But based on our experience over the first six months and also on the advice and direction of the consultants, again, who have done this in a number of states including Florida. They worked on the reform project in Florida or some of the aftermath of their initial start. So that's where we're at there. Strengths. This one I'll just be brief. You've got it in your packet so you can read it, but what this demonstrates in the department...and the other contractors have seen the same thing. This is...I know Judy talked about it too. By moving from the way we have done child welfare for decades...and it was very prescriptive; it was cookie cutter. And I used to be

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a state worker years ago, and I remember getting initiatives that, well, we got a lot of money in WIC so really push WIC. Okay. Well, I'd go out...and I was child protection, so I always say, well, if nothing else I can give you WIC. It was because I had it, that was the prescription, that's what you did. I don't know if you had to do any of that, Senator. [LR568]

SENATOR HOWARD: Oh, yeah. [LR568]

JEFF HACKETT: But what this system allows us to do in working with the department and families is, okay, we have issues and...from things that need to be addressed very rapidly, let's not think about traditionally what we would do in this kind of a situation. In all likelihood, those children would have been separated and put into foster homes until we could get the mother squared away and get something stable there. That was not done. Those children and that mother stayed in our office actually for quite a few hours. We had staff come in and help with the kids. And the service coordinator and the team leader who directs that and the mother started going through the phone book. The beauty of this service coordinator is that she doesn't have any or much experience in child welfare. She had none of the formulas in her head. She had a woman with five kids who was in a jam. And she didn't have the...I mean, for me that would kick in: Okay, I got to get a shelter. I've got to get foster care. I've got to this. I've got to that. They worked that out. And not only did we get that woman and her family together that night in a motel, in a couple of days we also got subsidized housing for her, and we also got her in job training and set up with Medicaid. She's doing great. But it's because we are not confined to cookie cutters, we're not confined to prescriptions. This is another very similar kind of situation. We've found a lot of that and I really give a lot of credit, too, to the Department of Health and Human Services on this because when we initially started some of these programs, we had problems in being able to get everything done in the two-hour time lines and things like that. That is because in my head I know we can't do that but what can we do to make sure this child is safe and the family's issues are addressed. And the creativity that has spawned has been great and it...you know, it

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takes two in a partnership and we feel that we have that. And this is a quote that we received from Judge Roland who is basically the Sidney, Kimball area of the state in the Panhandle. And what I think he adds for us, for us sitting in this room, is perspective. When you're in rural and frontier areas of the state, cookie cutters never worked very well and you really have to collaborate and cooperate with one another to get children and families served. And so he was referencing a case there that we were able to bring to closure after they'd been in the system a long time. We also found this in another area where the young woman was court ordered with her kids and was a ward, the kids were wards, and the...when we started working with them, we said, okay, the court has ordered I think it was \$20 a week gas voucher, your car repairs, and we paid her rent. When we started to take a look at her income, she had more disposable income at the end of a month than some of my staff. So what we started working with her on, okay, there really is no necessity to this. You know, we're not going to cut this right away, but you can handle your gas. There are other programs available to help you with your rent rather than us cutting a voucher. She did go to the judge and say she didn't want to be in services anymore because we weren't giving her what she wanted. The need for that service had long since elapsed. There was no danger in that family. The risks were managed but it continued on. And that, I think, is a very hard part of this reform and we get a lot of push back from our own staff and judges and workers that we can't continue where we're creating codependents when your solution to things are vouchers, and that's not an easy concept. I mean, theoretically we all get it, but when it's the person sitting in front of you, that's another matter. And this is a quote from the Federation of Families by Candy Kennedy. And, again, you can read this but what I would like to say about that is that I've worked with organizations like the federation in other states, and I think they bring up perspective that the child welfare system has never had. And that is of what it's like to be a client in the child welfare system: What worked for me. How we're going to navigate this system. And they're very supportive. They are not pushovers. Don't...they are advocates but they also hold everybody accountable. And that makes all the difference in the world for some families, that, look, I've been there, done that. This is what I did. I fought it. I swore at them. I threw things at them. It

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didn't get me anywhere. There are other ways to do this and they have been...we have, if I remember correctly, the last stat I saw just a week ago was around 400 families that we have that the federation is providing some level of service for involvement. [LR568]

SENATOR GAY: Jeff, hold on. Senator Stuthman has a question. Oh, he's always pestering me. [LR568]

SENATOR STUTHMAN: (Laugh) You can continue. [LR568]

SENATOR GAY: Go ahead. [LR568]

JEFF HACKETT: I'm looking forward to this one, Senator. (Laughter) [LR568]

SENATOR GAY: He's ornery, so you got to watch out. [LR568]

JEFF HACKETT: Huh? [LR568]

SENATOR GAY: I'm used to it, he's ornery and he's always like... [LR568]

JEFF HACKETT: And this in terms of some of the positive impacts, as Judy mentioned, too, what NSC is seeing is that we're...and this data, you know, when you take a look at July of '09 versus July of '10, we've only been fully operational since April 1. We started taking cases and families in November but we didn't get fully operational really until March 31. So in that period of time we have seen the number of children who are placed with relatives and/or families they know, adults they know has increased. And there is concern, too, around that in terms of, well, many abusive families, it's a generational thing, there's dysfunction and that's absolutely correct but it's not everyone and it's not everyone. And that was my assumption years ago, too, when I was removing children and it's not true. (Sneeze from audience) Bless you. (Laughter) Barriers and challenges, and this I will spend a little bit of time on as we get close to the

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end. As Judy had mentioned, too, we have additional families and children who are providing services, too, that we had not anticipated. And for us, it's basically around the area of after care. And Kerry and Todd can correct me, but prior to this contract, there was no after care formal service. So you don't really know a lot of what you're getting into because it's never been formalized before. And after care, also that we provide, is technically unfunded. Once the child and family is released, then they go into after care. And we work with that family if they choose to work with us--it's not...they're not threatened--for 12 months. And it's part of our job to make sure that the case plan, the various plans we've put in place and working with the family continue after we cut our involvement. And we're in a similar area of around...and I don't have it, I know it's over 100 families that we're providing after care to. Judy mentioned the fee-for-service system. I'm not going to pound into that a lot other than add perhaps a few things. The fee-for-service system was what I grew up in. I've been involved for 40 years, and fee for service has been around that long; that's in my DNA. You knew how to do it. You knew how to operate in that world. The capitated system, the at-risk system is a different beast. And that's part of our learning curve in doing this and it's part of what we need to do a lot better and is switch that paradigm. Not only, you know, I'd like to say that, you know, if the department would only get their head screwed on straight this would work, but I'm the problem too. I'm the problem. When we first did this in Iowa, I'd finally got...we got the contract and now they're going to send us a family and we'll figure out with the family how we're going to work this, you know, and how we're going to get from here to stability and so on where they don't need the service anymore. And then they gave us a family that was very, very dysfunctional, and so I'm waiting for them to tell me what to do. And it dawned on me. My epiphanies come typically in my morning shower, and it hit me like a ton of bricks that they did exactly what I wanted them to do. They gave me the family and said, here, figure it out, be creative. And now I'm whining and waiting for them to tell me what to do. So when we talk about the department having to think and do things differently, that includes each and everyone of us and not just the contractors and the sub. That includes courts, school systems, and all funding streams that impact children and families. Expenses, the third bullet, are



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significantly exceeding revenue. And we've had that for the same kinds of reasons that Judy mentioned, so I won't belabor that part. But what I would tell you that part of our problem with expenses exceeding revenues is the way we do business, the internal stuff, hence the reduction in force. We had positions that were involved in parallel processes. And then when the communication breaks down, no one knows...or you can have issues around who's responsible for what. Again, we hired and started a program very rapidly and there were issues with that, and that's what we're addressing with our reduction in force and also with our consultants--and I'll get to more on the consultants in a minute--the complex and slow billing process. The part of our issue that might be different from other contractors--except maybe now KVC and they can speak to that--there are differences in the billing process by service area. So we viewed our contract as one contract. We have three contracts, all doing ostensibly the same thing, same guidelines, so on and so forth, but the billing process, particularly initially was different. And we...and given our structure, we had a lot of problems with that. Now I would also tell you, over the last six weeks to two months that has changed markedly, and a lot of that in two factors: One, working with the department around streamlining processes for us and training us and all of those kinds of factors will bear fruit, so the timeliness will start to improve a great deal. Also, restructured our billing department and made a lot of changes in that. And the training will go along with that, it's working much smoother. And the three service areas we worked with also came together about, you know, do we really need...is there something different we can do that we become more similar in how we process bills for this contract. We don't have enough traditional foster homes and that can be a problem. Judy mentioned in terms of foster care being more expensive than what we anticipated. We went through the same thing. We didn't address any of the rate structure when we first took over. Same kind of reasons. We don't want to disrupt placements. There's enough confusion in the force. Foster parents are usually the last to know about what's going on, and so we didn't want to through that curve ball at anybody. But we now are reassessing that and we're in the process...same kind of a situation. When you take a look at a level, at three levels of foster care, we're serving the majority of our children at the highest level. And their acuity doesn't really

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necessitate that, in our opinion, so we'll be moving with that. Same with traditional foster care is a level of care that some of our kids can do very well in and it's close to the community. They don't need a higher level. So that's something that we're looking at. And back to what Judy said, too, it's really a fine balance. You have to do quality. You have to take care of the kids and families. But if you can't cover your costs, you can't take care of...it's a yin and yang thing that constantly goes on. I don't ever want to be in a position where I have to make a decision now, Johnny or the Smith family. We're not going to do that because it's not cost effective for us. We'll be challenged that way, but I won't go there. Let's see, oh, the rural areas, and that's on there to...the barriers and challenge there are a number of things. One is transportation, which is the last bullet. The windshield time we spend in our service areas is significant. It's not...we have staff that are taking kids to their therapist in Lincoln and they live in Bridgeport or they live in Lexington or to maintain...and this is a court ordered kind of situation. But we have numerous examples of a lot of time on the road. And not only the gas, transportation, and so on, but these are people that from a productivity standpoint, their sitting in a car, albeit with a client, with the child, with the family, so you still have that interaction. But that means they can't attend a court hearing, they can't take a new case. There's all of those things they can't do because they're transporting. Cost shifting and I think Judy went into this something too. We noticed when the contract first took effect that the...what we heard repeated verbally, too, and it wasn't surreptitious, was that, well, you've got all the money now, you got the contract, that's your responsibility, figure it out. Well, that came from the judiciary, that came from other funding streams that had in the past served children and families. I think Judy mentioned, too, about we had families that we received that were involved in drug and alcohol treatment or behavioral health and they were on a sliding scale fee. As soon as we got involved, the sliding scale disappeared, you pay full fee because you've got the money to do that and you're taking care of the family. In my head, it's those kinds of things that the unintended consequences of doing things that really, really bit us. The transportation...and I would also say...and I would credit Todd with this actually because we as contractors in our regular meetings would talk about this. And, Todd, we need to get them together.

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Where's the data? Let's start talking real stuff. And that's when at least we saw, particularly with Magellan, a switch. We still, as we should, have disagreements, but we're...and we're better informed on how to disagree with them, too, and how to do those appeals. And Magellan has been good working with us, so this is a process. And this is what we need, you know, from you because I believe many children through the years did not get that level of care because the folks representing them couldn't make a sufficient argument. Transportation. Yeah, I heard the mention of this opinion from the AG's Office, came out yesterday. As I mention here, we're hitting in commercial transportation alone \$200,000 a month, \$2.4 million a year, and that's 7 percent of our total budget is just in commercial. That doesn't count the transportation we do. We bought 60 vehicles for our 18 geopods so that I wanted staff if kids needed to go to the doctor, if we needed to do a supervised visitation or family time, I want you using our vehicle, I don't want you driving your own. So we've done that and we've done that forever. And I would hazard a guess that anyone who serves kids and families has done that. That's just part of what you do. It's part of our group homes. It's part of our residential treatment, our shelters. Transportation is just something you do. It's...we made the argument to PSC around it's somewhat like when you go to fly out of Omaha airport and you stay at a motel there, they have a shuttle bus that comes around; you don't pay for that. I mean, it's not...well, I'm not going to take it so I don't have to pay. No, it's just part of the service and part of what you do for your customers, for your clients. We also want our people transporting kids and families. A lot of really interesting things happen in a car when you have your worker transporting them. I know my four children always knew that something was up if I said, let's go for a ride. You get a child in a car or anyone in a car, you're both looking forward, amazing things come out, amazing things. And a lot of issues can be addressed in a very nonthreatening way with just a ride in a car. And that's another reason why we're not wild about this at all. And just getting it last night in terms of the financial, this isn't going to be helpful in any way, shape, or form. Okay. The one here I would like to talk about really is just the last bullet, outcome measure improvement consulting firm. We use Schafer Consulting out of Pennsylvania. They are nationally known. They have worked in a number of states that

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have gone through reform with organizations who struggle, just like we do, and who have come in...and, again, I mentioned, we gave them a very strong voice in terms of how we're going to structure ourselves and how we're going to manage our finances, so on and so forth. Again, we're going from we're a not-for-profit going from a service delivery model fee for service to now we manage and coordinate those services. We purchase the services. We're the ones setting up the subcontracts. Prior to this contract, I had had one subcontract my whole life, and now we have 45. Needless to say our subcontractors have issues with us and rightfully so. So that's what we're doing with them. And, you know, just by way of closure, I want to be very clear that Boys and Girls Home remains committed. It's a real struggle, there's no doubt about that, but we remain committed to reform. We remain committed to the children and families and DHHS and the community subcontractors and so on. That isn't to say we've done a good job in all of those areas, but that's our commitment. And that concludes my...just maybe a statement before questions because naturally after the terrible April we had in the reform with two leads, one giving notice and one disappearing was very traumatizing to the whole reform, not only to those directly involved but anyone remotely connected. When you have that kind so early in the contract period, you have that happen, that raises a lot of fear, and justifiably so. Then you have our organization then with late payments and some very late payments. Okay. So we have two go out and you're late on your payments. What does that tell you? Okay. So then you have...and now let's add on two reductions in force. You know, I got to love a lot of my colleagues would hear the rumors and they'd call me: Rumor is that you just laid off half of your staff agencywide. I said, well, that would be 400 people; we did not. It's been very disconcerting to our staff, I mean to everyone. That's not a pleasant experience. We call it a reduction in force that we've eliminated positions, but if you're in one of those positions, no, you laid me off. And some of those folks are longtime friends of mine. So I understand and were I a subcontractor, I would have similar concerns. And the proof in this pudding won't be me telling you much of anything; the proof in this pudding will be me coming current. That's the proof. And with our contract...our consultants, we're looking over the next three or four months to do that, part of our restructuring. Our cash

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flow originally started this spring--issues, huge issues. And a fair amount of that had to do with, again, we started November 1, we were the last of the contractors to be fully operational. And a lot of that had to do with trying to develop all that in three service areas, rural areas, and you had specifications you need to meet with qualifications for staff--BA level staff, so on and so forth, experience. There...the staff in many of those areas or the people in many of those areas that have those qualifications work for the department, so they're already employed. And we have hired some of the department staff and we're very happy to have that and they're very committed because they went from some security to a whole new kind of way of doing business and I have a lot of respect for them, good people. So I just wanted to say that and I'd be happy, senators, to answer any questions the best I can. [LR568]

SENATOR GAY: Thank you, Mr. Hackett. I think you're direct in your statement and probably correct in a lot of that, what you said. There is some concerns, obviously, but. [LR568]

JEFF HACKETT: Oh, absolutely. [LR568]

SENATOR GAY: But thank you for addressing that. We do have a question. Senator Stuthman. [LR568]

SENATOR STUTHMAN: Thank you, Senator Gay. [LR568]

JEFF HACKETT: Now I get Senator Stuthman. [LR568]

SENATOR GAY: Yeah. [LR568]

SENATOR STUTHMAN: Yes. The question that I have, first of all, I want to thank you for your presentation and your service to children. I appreciated the fact of, you know, the hope and stability which a lot of the people have lost. As a person like yourself that's

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worked with a lot of these children, do you see some direction that the Legislature should go or somebody should do to try to turn this around so that we don't continue to have more and more and more children coming into getting services or what should be done? Should we put a statute to have a license to have children or should we...(laughter) [LR568]

JEFF HACKETT: I don't know that I would have had my four if it depends on who's making it up. [LR568]

SENATOR STUTHMAN: I mean, there's...should we be stronger with the drug and alcohol abuse or what do you see could be a turning point to turn this around and get less and less? [LR568]

JEFF HACKETT: That's a very good question, and I can tell you first of all, if we're successful, and I believe we will be in reform, the after care piece to me is huge. And if you can get the families to stability, to get their systems developed in formal, support that, you start to really take a look at nipping the cycle, the reentry into care. Another issue that all states and the federal government deal with is because of our budgeting systems, we look at things a year or two down the road. The commitment that needs to happen for early intervention kinds of services and early prevention are the kinds that don't show legislatures and policymakers any real results or savings. It might be 5, 10, 15 years before you're going to see what early intervention and prevention services provide. We don't have the time. We don't take the time. We, as voters, aren't going to give you the time because we want results. Typically what happens in a lot of states is the results are seeing an additional residential beds, additional prison beds. And, again, I grew up in Iowa and one of our esteemed governors boasted when he was leaving office that his major accomplishment was that he built 500 additional prison beds, and he didn't see the problem with that. He didn't get it. So I don't know that I've answered your question, Senator, but I believe in reform. I think, like all states who have gone this route, there are serious issues when you start. The trick becomes what are you going to

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do about it, and what are you going to do about it will be us and the department and the senators and educators, judges, so on and so forth. [LR568]

SENATOR STUTHMAN: Thank you. [LR568]

JEFF HACKETT: You're welcome. [LR568]

SENATOR GAY: Other questions? Senator Gloor. [LR568]

SENATOR GLOOR: Thank you, Chairman Gay. Mr. Hackett, between the issues of people leaving and your reductions in force, has there been an opportunity for you to bring somebody new in who has that knowledge base that you admitted that your organization doesn't have, and that is to manage these kinds of at-risk contracts. I mean, I'm not surprised obviously given my line of questioning previously,... [LR568]

JEFF HACKETT: Yeah. [LR568]

SENATOR GLOOR: ...I'm not surprised that people don't have that knowledge base. Are you looking to fill that gap? [LR568]

JEFF HACKETT: Yes. [LR568]

SENATOR GLOOR: And could you explain how you're... [LR568]

JEFF HACKETT: And to that end, again, when I'd talk about the two national consultants we'd brought in, part of the restructure, too, will be our financial management systems. Now when we're all done with our consultants, that's going to be part of the product. This is what we have, this is what we've done, and these are the results we've had. Not good. What is it we're missing? Is it a matter of education? Is it matter of we don't have the personnel? Is it a matter of qualifications? What is that? And

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that's what we're working with the consultants on. [LR568]

SENATOR GLOOR: Well, I'm not here to give you managerial advice except to say I hope they do this real fast for you. [LR568]

JEFF HACKETT: We're on a fast track. [LR568]

SENATOR GAY: Senator Campbell. [LR568]

SENATOR CAMPBELL: Thank you, Senator Gay. Mr. Hackett, I appreciate your honesty, I mean, as you begin to, I mean, weave through your comments there. I think you're very honestly raising some red flags that you're seeing for your own agency. And in your remarks you keep saying, well, from the last six months to the next six months, do you think you can turn this to a point where you can say with confidence for the full next year? [LR568]

JEFF HACKETT: What I can say, Senator, is I'm more hopeful today than I have been in a number of months. And a lot of that has come from not only the Department of Human Services (sic) and the growing collaboration and the give and take but most recently the two consultants. Again, they dance this dance a lot. There are...I believe there are ways we can correct a lot of this. My belief is if we bottomed out in terms of that curve, now the trick becomes, Senator, how quick is this going to be and can you sustain yourself while you're still below the line? Our intent is to sustain ourselves and make this work. [LR568]

SENATOR CAMPBELL: And I'm making the assumption that you, like all the other leads, have had to put in substantial... [LR568]

JEFF HACKETT: Yes. [LR568]



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SENATOR CAMPBELL: ...resources of the company and whether that you feel you've got the resources to keep going. [LR568]

JEFF HACKETT: In terms of we put in a little over \$3 million, and that came out of our donor's foundation. The problem with that is donors didn't give us that money to help us underwrite a state contract. So that's not a well you can go to too often. And so, yeah, we won't...that's a finite resource. And our belief in working with the contractors...and we've had these conversations as yesterday afternoon with Kerry and folks about what's the end game, and that's why we keep, literally, daily conversations going between us and the department and they are frank. [LR568]

SENATOR CAMPBELL: Thank you, Mr. Hackett. [LR568]

SENATOR GAY: Any other questions? Senator Dubas. [LR568]

SENATOR DUBAS: Thank you, Senator Gay. Thank you, Mr. Hackett, for being here. And I guess I would just like to echo the comments that Senator Gloor made. And, you know, in visiting with the subcontractors in my district and ultimately the foster parents who are struggling because they haven't been paid and wondering how they're going to meet their responsibilities, you know, what I...aside from those being very serious and real problems, what I really hear and I think it's something that I've heard you address and I think can be addressed in a quick fashion, it's just better and more positive communication. I think many of these subcontractors and, again, the foster parents just...they don't have a clue about what's going on, so when you're left to your own devices, that's not a good thing. And so I hope that there can be better, more positive, more open communication on both sides of this issue. I think that will go a long way to helping you resolve the more serious issues. [LR568]

JEFF HACKETT: Absolutely. [LR568]

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SENATOR DUBAS: So the quicker we can get this moving... [LR568]

JEFF HACKETT: And I would also tell you, Senator, that that's my responsibility and it's something that I didn't do. [LR568]

SENATOR DUBAS: I appreciate you being willing to admit to that and to bringing those things out to the committee. I think... [LR568]

JEFF HACKETT: Yeah, I thought it was happening in other ways; it wasn't so I'm back in that mix. [LR568]

SENATOR DUBAS: I think that will go a long way to have people know that you recognize this is a problem, you're willing to admit it, and take some of the responsibility for it and look for solutions. [LR568]

JEFF HACKETT: Well, I mean, it's respectful. [LR568]

SENATOR DUBAS: And I think there's been a feeling that there hasn't been a feeling of respect on your part, so. [LR568]

JEFF HACKETT: Yeah. [LR568]

SENATOR DUBAS: I appreciate your comments. Thank you. [LR568]

SENATOR GAY: Any other questions? Senator Hansen. [LR568]

SENATOR HANSEN: Thank you, Chairman Gay. Jeff, you're taking care of three HHS service areas in our state. [LR568]

JEFF HACKETT: Yes, sir. [LR568]

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SENATOR HANSEN: What are the raw numbers? How many children is that? [LR568]

JEFF HACKETT: In terms of families, Senator, that would be just about 1,600 roughly, that's in the three service areas. And then in terms of children, there are identified children and then there is the rest of the children, too, to keep in mind. Because we have identified children and that runs a little over 2,000. And then when you factor in the other children in the family because when we come into a family's life, they...it might be Billy that's raising Cain and the identified problem with the parent, but he's got a sister, a younger brother; they're a part of the mix too. Now do we provide a lot of direct services to them? Not necessarily, but they are included in the process. And then there's the after care that are included in addition to that. [LR568]

SENATOR HANSEN: Have you and the department talked about any savings and duplication? I know you have consultants working at this, too, but do you have any duplication in those certain service areas that you could combine yet or is that what you've been doing? [LR568]

JEFF HACKETT: I'm not sure I understand. [LR568]

SENATOR HANSEN: You have three service agencies but can you just lump them in? [LR568]

JEFF HACKETT: Oh. [LR568]

SENATOR HANSEN: Can you just think of them as one and use the Internet and the telephone instead of driving so far? [LR568]

JEFF HACKETT: Yeah. Yes and no. The beauty of being out in the Panhandle, the judges there are really taking a look at Skype. You know, your preliminary hearings you

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have face to face, and if that child is over in Lincoln, you will get the child and you bring them back for the hearing. But review hearings and things like that, there are some creative, innovative judicial districts that are taking a look at how can we cut down on the road time and the needless expense when this can be handled in different ways. There are models that you can do some mental health work using Skype, telemedicine, but that's very difficult to corner because of credentials, because of confidentiality. I mean, there are a number of issues. But we have an operation in Alaska, too, and telemedicine is real big there, real big because of the remoteness of everybody. [LR568]

SENATOR HANSEN: Thank you. [LR568]

SENATOR GAY: Any other questions? I don't see any. Thank you. Thank you very much for your time. [LR568]

SENATOR STUTHMAN: Thank you, Jeff. [LR568]

SENATOR GAY: Do you guys want to take a break for ten minutes? Let's do this, just before we take a break I want to reconvene at 3:50 which is ten minutes from now promptly and I think out of respect for Sandra who's going to be testifying, I expect us all to be back here and...if you can, and attentive. I think we'll be more attentive with a little break. Thank you. [LR568]

BREAK

SENATOR GAY: Thank you. All right. Sandra, thank you for your...for allowing us a short break. And we got a lot...we're excited to hear what you have to say. So I'll turn it over to you and we'll go from there. [LR568]

SANDRA GASCA-GONZALEZ: Okay. Great. Well, I want to thank you, Senator Gay and all of the senators, for allowing me an opportunity to come and share with you

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KVC's perspective of the child welfare and juvenile justice partnership. We are very excited to be about this...to be a part of this partnership, and I just want to share a little bit of agency background with you because we are the newest to Nebraska. Although we are not new to this type of service provision, we are new. KVC Behavioral HealthCare is a system that has five different subsidiaries and we are located in Kansas, Nebraska, West Virginia, Missouri, and Kentucky. We are...just to address the accreditation questions earlier, we are accredited at the health system level, and Nebraska is in the process of getting joint commission accredited, so we are in the process of doing that. Nationwide, we serve 25,000 children and their families, and the range of services include hospitals, psychiatric residential treatment facilities, outpatient services, and foster homes. So we have quite the range of services that we provide. In Kansas, we have 13 years of very similar child welfare reform experience. What we have learned from that is that children grow best in families and we're really focused on the community and serving children as much as possible through community-based settings. Although we have residential centers, that is our primary focus and that is the central driver of our model here in Nebraska that we want to serve children whenever possible, allowing them to remain safely intact with their family of origin. So just to briefly summarize where KVC is located here in Nebraska, we are in the eastern and southeaster part of the state. We serve 19 counties. We are in...we have two offices in Lincoln, one in Omaha, one in Papillion, Nebraska City, Seward, and Beatrice. So those are our office locations. (Cell phone in audience) I hope that's not for me. (Laughter) I haven't checked my voice mail all day. I want to just share with you some of the strengths and some of the challenges that we've seen, and I think they're a little bit different than the other providers simply because we are a startup company here in Nebraska. To start with the strengths, I would say that the growth in a short amount of time has been a strength and the way that we've been able to manage that. We are currently serving 1,200 children which translates into 640 families in the eastern service area, and we're serving approximately 3,100 children or 1,650 families in the southeastern service area. Prior to July 1, we served a total of 2,000 children and approximately 11,000 families versus the 4,356 children we serve today. So as a result

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of the transition from CEDARS and Visinet, we did become the sole contractor in the southeast service area, and we have seen some substantial growth. We've also experienced some growth in our foster home program. When we initially started, we had one-third of the cases in each service area, so we had anticipated that we would grow a foster home program to serve the needs of the families and start to build a continuum, and at the same time subcontract for services. We received our child placing license in November, and as of today, within the past month or so, we have 200 foster families with over 300 children placed in those foster homes between the both service areas. We've also grown our behavioral health component. We have ten mental health practitioners that assist our service coordination teams in managing the Magellan system, looking at medical necessity, looking at when parents are having difficulty accessing services, how they go about doing that. Do we provide it ourselves or do we work with them to get the service that they need? They are serving as clinical consultants of sorts, and that has really made an impact in our model and how we can serve children and families. So the positive work force growth is something that we also see as a strength. When we originally came to Nebraska, we anticipated hiring 200 employees in five different offices, and as of today, we have 450 employees and seven offices. We are projected to hire out an amount of 515 employees between both service areas. So in contrast to what I think Jeff Hackett was talking with in terms of reduction, we're seeing an expansion. Another strength that KVC really views as being very important to the partnership is accountability. And I have to say that this contract, the way that it's structured, really does hold us accountable for meeting the outcomes and making true system transformation. The department, in my opinion, has been very willing to work with us around the accountability measures. I feel like there are mechanisms in place through our many CFSRs and the case audits that are occurring that hold us very accountable, and we take that very seriously as I know that my counterparts for the other lead contractors do as well. I don't want to go through all my stories, but I also want to say that I don't want to minimize the success that has been seen through this partnership because it is very important. But I do want to share just one story that illustrates the after care component which I believe is very critical to this

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partnership and their overall success that we will eventually see. As I mentioned, the contract, the way that it's structured, I believe is structured in a very good way. One of the requirements is that there's a 12-month after care period for cases for families once they're closed. And this story here illustrates the positive impact of preventing reentry because of our role in after care. So this is a case that was open due to the conditions of a mother's home and her mental health issues, and the primary safety concern was that her four-year-old kept running...escaping from the home, and the police would return the child to the home. Her case closed in June of this year, and since that case closed, we've helped with a number of things. We've helped with having the mom install door alarms so that she can hear when the child is running and have a better way of monitoring. We installed motion sensors, and we also helped her get more organized and clean the home, as well as develop a behavioral chart for her older child so that she has a mechanism to be able to parent after the fact. We're in the home weekly. As things get better at times and in different periods, she'll say I don't need you to come this week but we still call, and we keep a pulse on what's happening with the family. And she has said to us, you know, if it wasn't for your involvement still I don't know where I would be. And we just...she says that she really appreciates our services. And so I think that that really is a strength. And I won't go through all my stories, but there...if you read them, there is a component of after care and support after the family has left the system that is truly critical to their sustainability, so not everything is roses. So I want to share some of the challenges that we have faced. As I mentioned, KVC Nebraska was established in the fall of 2009, so that's less than a year. And we really had to hit the ground running. We worked very diligently to try to build relationships with people in the community, with the subcontractors, and at the same time trying to serve families effectively and with good quality. Part of being new to the community also put us in the position of having to merge people from old world culture to new world culture. And that has been a significant challenge when you look at the amount of staff that we've hired and the convergence of multiple philosophies and work forces, and then our vision that we have for system transformation. The advantage to that has been that I have leadership, myself included, who has been involved in reform before. And we've been

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able to identify leadership locally who works really well in knowing Nebraska, the respective communities, the resources, and the intricacies of the Nebraska system, and we're in the process of integrating that and determining what direction to move forward in. And I see that as a strength even though we're trying to shape our culture. I mention a new world and I want to explain what that means from KVC's perspective. Nebraska's system historically has been very focused--and we've all talked about this--on sustaining a service menu. KVC's model is really designed to shift services towards what the family identifies they need to be self-sufficient. We're trying to move away from...I think Jeff talked about this, too, from system dependency. We're looking at what informal supports are out in the community that this family, when we're out of the system after after care is over, what will they have in their life and what can we help them in the time that we are in their lives to build those naturally occurring resources for them to help them sustain? And it goes back to...Senator Howard would know about this, it goes back to good old fashion social work and empowerment, and that is how we train our staff to think. So an example of informal support could look like a grandparent supervising a visitation or the neighbor assisting the child with their homework instead of hiring a tutor. So it's very...it's probably things we think about all the time and probably utilize all the time in our community. One of the differences I think between the other lead contractors and KVC is our staffing model. Our staffing model is transitioning to one that allows a service coordinator and a program support worker to carry a small case load of families. Contractually, our case loads are 1 to 16, which is 1 service coordinator to 16 families. We've modified that to be 2 to 14 families. So the focus really is on professionals working with the family, building a relationship, having trust, building continuity so that as they build that relationship and that trust, there's better communication and better quality services and ultimately better results for the family. So we've just started transitioning into that. Our experience shows that by streamlining the number of professionals that come in and out of a child's life, family's life leads to better results. And we actually have a foster parent advisory council in both service areas and they've been pretty active for the last four months. And as I was presenting this model to them, one of the foster parents said to me, you know, it's about time because I am so worried



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about the fact that my four-year-old when a visitation support worker from several different agencies come to pick her up, they take her, someone different brings her back. And when I go to Walmart with her or I go to the grocery store, she goes to whoever will look at her and she'll run to them, hug her, and say I love you. And I can't teach my four-year-old stranger danger anymore. So for me that drove the point home of what it is that we're trying to accomplish. And that's not to say that we are still...we still plan to have subcontracts with our providers to provide some of the services because the reality is that with some of the parenting time guidelines and some of the requirements that exist, we still need our partners to help us with the services. So the challenge not only lies in shifting to the new world internally but then educating everybody externally, the judges, individual line workers, the DHHS workers, and really understanding what it is that we're trying to accomplish. Another major challenge related to the shift in the system has been our payment process to subcontractors. We currently have 87 signed subcontract agreements, and that's pretty substantial when early on we...not very many people wanted to sign up. But now we have 87 and I'm very...I feel very blessed that we have that. But nonetheless, the amount of subcontractors, the volume of payments given our quick, rapid growth, the communication issues that have happened, that has all led to the need to revamp our payment process. And fortunately there's some subcontractors, some partners here today who have been very much a part of the decision making and very much of the feedback process in how we fix our problems. And we are working to resolve all of those. The issue is the definition of a clean claim. If we don't have a clean claim, then it gets kicked back and we're trying to figure out how we can work through that process a little bit quicker. We do have a work group that's coming together and we're inviting certain subcontractors to be a part of the solution to help us fix that, but we realize that that's very important and we'll continue to fix that. I do want to say, though, that I checked today and as of today all of our clean claims have been paid. So I wanted to be able to say that to you. So I'm happy to report that. So those are some of the challenges that we've seen organizationally. I just briefly want to go through some of the strengths and challenges that we've seen by service area. In the eastern service area, which is Omaha, Douglas, and Sarpy County, some of

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our strengths go back to the after care component. We currently have 200 families in after care in the eastern service area, and 72 percent of those families are remaining engaged with us. And that could range from intensive, in home family support to we're just calling them weekly. We have a system by which we assess their level of need and we continue to provide services as it's required as they deem appropriate. So that is definitely one of our strengths. Early on, the department had identified the need to engage the Latino community in the recruitment of foster families as a need. And we jumped right on that, and I'm happy to report that we have eight licensed bilingual foster families and we have upwards of 30 who are in the pipeline to be licensed at some point. So that has been a need that was identified early on, and I'm very happy we've been able to address that. Improved achievements of timely permanency is also a strength. We're seeing that children are likely to reunify with their families within 12 to 15 months. KVC has closed 172 families for a total of 281 youths since November, so we're seeing more movement towards reunifying families in this area which is very positive. Some of the challenges...Judy touched on these challenges. They're the same. We're in the same service area. I would just say that the few alternatives to detention centers continues to be a concern. We are working with the NEEKC Foundation around juvenile detention alternatives, and we're in the process...we're going to research, develop, and implement, and we're in the research phase with them, so, hopefully, we'll have something that's a little more concrete pretty soon. The out-of-state placements...I want to give you a money figure because it seems like that's a point of interest. On the out-of-state placements and the court orders for KVC, our transition in the eastern service area ended in January, and at that time we had 22 youths who were in out-of-state placements on letter of agreement. And by April, we were able to bring nine of...we only had nine that were out of state, and now we're back to 22. So we're trying to figure out what it is, and it is all related to the juvenile detention alternatives and the lack thereof. But that...our projection for out-of-state placements...it's going to cost us \$2.2 million. That's the figure for this service area, and I have a different figure for the other service area. You know, part of the puzzle are the court orders. We're doing a lot of work with the judges. DHHS has been very receptive to setting up meetings with them. I

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meet with the judges individually as I know that our counterparts do as well. The other part of that puzzle is Magellan and the denials and the definition of medical necessity criteria. However, I would say that the work group that has been set up to look at this particular population starts meeting tomorrow, and we've been meeting for a period of time. I think that we have some really good synergy built right now, and we're going to start to see some solutions coming out of that. The dialogue that I've had with Magellan has been very positive and in alignment with what KVC values which is serving children in the community. And any time we've asked for community-based services like intensive outpatient or services such as that to help the youth stay in the community, we've received approval, so I think it's a different way of looking at how we serve those youth. And then my last...the last challenge I want to point out is that we have a lower percentage of children in the home. When we talk about the pyramid, we have a...this area has a low percentage of children in the home, and we're focusing on that. And moving on to the southeast service area, our strengths and challenges...again, our number one strength at this point, and it could be my bias towards aftercare. I just think it's a very effective program...76 percent of our families are engaged in aftercare in the southeast service area. And here we serve 388 families which translates into 675 youth, and these are all voluntary, so they don't have to be engaged with us. The ability to assimilate a trained work force is something that we really consider to be a strength. The transition of the other lead contractor staff to KVC was, for the most part, pretty seamless from a logistical standpoint, not from, you know, the emotional standpoint but from a logistical standpoint. CEDARS did a really great job of working with us on helping us identify the staff. We brought the staff over with caseloads intact. We did letters of commitment for hiring prior to the contract being signed and as of July 1, we moved them over to our system, and they continue to serve the families that they had on their caseload. So that was pretty remarkable to be able to do that, and I just compliment CEDARS for their willingness to work with us. Another strength--I have received some feedback from key community members and stakeholders that, given the fact that KVC has been a start-up company, and all of the children we served in the foster homes we've built, that it's been pretty remarkable that we've been able to do that in less than a

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year. And so I appreciate that feedback. They've noted that KVC's focus on continuity of services, our overall service provision, and positioning in key rural communities has been a positive factor for everybody in the service area. Another strength which was actually noted by the department, so I really appreciate this one, has been the timely engagement of families to support them to remain safely intact. And this is credited to another contract requirement which is our response time within two hours, and we've been able to accomplish that even in the rural areas. So we believe that that strength has led to a higher percentage of children being served in the home in the service area, and I want to give you an example. In July, 84.5 percent of both noncourt involved and court involved cases referred to us remained in the home. That's a very substantial statistic. And, again, it goes back to the partnership between the department, our staff, and the responsiveness. Some of the challenges, I briefly spoke about this. Our relationship building in this service area was especially challenging. The subcontractors here had already signed some exclusive agreements with the other lead contractors which then precipitated us needing to build our own internal capacity which has led us down the path for the way that we've structured our business model here. And another challenge, while it was a positive thing, the need to quickly merge employees from various cultures and work forces has been very prominent here because we went from...in April we had 107 employees and now we have 257 here, so the rapid expansion has been just trying to wrangle the cultures. And we also have the same issue in terms of court-ordered treatment. I mentioned this earlier for the eastern service area. Our projected cost for these services is \$1.5 million for this next fiscal year, so I'll help you with the math...\$3.7 million between both service areas for court-ordered treatment services. So I want to begin wrapping up by saying that KVC remains financially committed to this reform. And, you know, a lot of people ask me why would you do it, what are you thinking, what...you know, what is going through your mind? And the reality is that we have been through this before, and we know that there are going to be significant challenges, and unfortunately, we've seen those. I was hoping...I've been through a reform before, and I was hoping that that wouldn't happen. The reality is that it did, and I believe that everybody is doing what they can to fix it. KVC will be committed

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through June, 2014. We are making significant investments in this reform, but we're committed to it, and the reason we're committed to it is because we have a way to monitor indicators is what we call them--positive indicators to a healthy system. And we know that by reversing the number of children in out-of-home care and helping families remain intact will be better for children, and it's not enough to send children home without the aftercare component which is why we invest in the aftercare component. By doing that, we then reduce the number of children coming back into the system which then has a positive financial impact for us, so it's all so interrelated. When children do need to be removed from their home, we want them to stay within their community, preferably with a relative because that's familiar. It reduces the trauma, and that also has a positive financial impact for us, so those are all related. Along with working with relatives, finding naturally occurring resources to build family self sufficiency, that's a positive indicator. We track how much we're actually keeping families connected within the community. As a system, we have a heavy reliance on residential treatment and institutional care, and as I said earlier, we believe children grow best in families. The more exposure children have to institutions, the more likelihood they're going to have to be in an institution later on in life. And our goal...a positive indicator for us is how we grow our foster home program because we believe that if you can teach a child to be in a family setting, they will then later become a more productive citizen which is what I think we all want. We monitor the number of permanencies and referrals that we're receiving. This will take a longer period of time to track because of how imbalanced our system currently is right now, but once we start to see that we're getting more permanencies over the amount of referrals, we'll know that we're making a positive shift in the system which will then have a very positive financial impact for us as well. And then the last point I want to make about some of the indicators...we have a lot, but these are the key indicators that we monitor, is the increased efficiencies and streamlining of services to families. And this goes back to the model that I talked about with the service coordinator and the program support worker working together to build continuity for families. By streamlining these services, people have less professionals in and out of their lives, and it also creates a financial efficiency for us. So from our perspective,

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thankfully, we are in a field that what's good for children in the way that I've described is good for our bottom line, and that's what we strive to do. The transformation and the evolution of the system I think will continue. Everyone is very committed. KVC will, as I said earlier, remain committed through 2014. We signed a contract; we believe in it. And I just want to close by saying that in your packet that we provided for you, you might note that we have an organizational chart, staff directories with contact information, e-mail addresses, and I want you all to feel like you can share that far and wide. We are here to help shape the system. We know you get constituent complaints. We want to be a part of the solution, so I welcome you to feel free to contact us any time to help with that. We see that as an opportunity to grow, so with that I will stop, and you all can ask some questions. [LR568]

SENATOR GAY: All right, let's see if we have some questions for you. Senator Howard. [LR568]

SENATOR HOWARD: Thank you, Chairman Gay. Senator, welcome. It's been a while. You heard Judy Dierkhising talking earlier about the commitment that the collaboration is made, and the cost to that program on a monthly basis. What do you...when you sit down and look at your bottom line, what do you figure that your agency...what is this costing your agency every month? [LR568]

SANDRA GASCA-GONZALEZ: I can give you our projection for this last fiscal year; our actual for this fiscal year is looking like a \$5.9 million investment. [LR568]

SENATOR HOWARD: That's annually. [LR568]

SANDRA GASCA-GONZALEZ: Yes. And then for next fiscal year, we're looking at a \$6.2 million investment. [LR568]

SENATOR HOWARD: And you can sustain that? [LR568]

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SANDRA GASCA-GONZALEZ: Yes, and that's through our corporate reserves. [LR568]

SENATOR HOWARD: Through '14...through 2014, if that's the case. [LR568]

SANDRA GASCA-GONZALEZ: My corporate office and my leadership has told me we are committed until 2014. We don't... [LR568]

SENATOR HOWARD: Well, we'll see it...we'll see it through. [LR568]

SANDRA GASCA-GONZALEZ: ...well, and I should say that we have done our projections based on the evolution of the system, and it does get better financially in year three and year four is when we... [LR568]

SENATOR HOWARD: Okay. Good to hear. Thank you. [LR568]

SANDRA GASCA-GONZALEZ: Yeah. [LR568]

SENATOR GAY: Senator Gay. [LR568]

SENATOR COASH: Thank you, Chairman Gay. Sandra, you're now in the second year that you signed...you've been here one full year, and now you're in your second year or second contract? [LR568]

SANDRA GASCA-GONZALEZ: Correct. [LR568]

SENATOR COASH: Were you able to get the second contract to look differently enough...well, does your second contract look different so that some of these changes that you're talking about can come to fruition sooner? I know that the first contract was kind of a learning period for everybody and a new thing and a learning for the

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department as well. And did you come together as a provider and...in the KVC common side. These are some things we'd like to see for our next year that will help us be more efficient, things like that. And how did that work if that was the case? [LR568]

SANDRA GASCA-GONZALEZ: We had a number of meetings with Mr. Reckling and the local staff with DHHS, and we were able to provide a list of...I want to say 28 efficiencies that we felt could be created. And most of those were integrated into the contract amendment, so I feel really positive about it. My biggest heartburn is getting people to see that we're not doing business the old way and just really coming on board with streamlining services. But the language in the contract is in there. [LR568]

SENATOR COASH: Who needs...you said getting people to come on board. Who is that, families that you're working with, the department, everybody? [LR568]

SANDRA GASCA-GONZALEZ: Everybody (laugh). I would say it starts with our own staff and helping them understand what it is we're trying to accomplish. Then I think through the roles and responsibilities with the department and making sure that the staff there understand what it is that we're trying to accomplish. And then selling all of that to the judges, to the families are on board. The families love our model, and they're saying, why didn't someone do this sooner? We like that we only have one or two people to talk to in the cases that we fully transitioned. That's the feedback, so it's everybody. [LR568]

SENATOR COASH: Have you had a chance to read the Attorney General's Opinion on the transportation? [LR568]

SANDRA GASCA-GONZALEZ: No. I know...I was preparing for this (laugh). [LR568]

SENATOR COASH: Okay. So you haven't? [LR568]

SANDRA GASCA-GONZALEZ: No (laughter). I just hit forward to our attorney (laugh).



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[LR568]

SENATOR COASH: Okay. All right. [LR568]

SENATOR GAY: I've got a question for you to follow up with Senator Coash's, so it sounds like...I mean, everyone wants this to work. I mean, of course, from the department to the providers and subcontractors, everybody. And I can imagine the cultural change that's happening. You know, I've never been in that field, but the point is when you're having...or do you have quarterly meetings with the department? You just said 28 things were changed in the contract which, to me, is positive, I think, as long as that consumer is getting better services, and you had...everyone had good cases they're showing. But there is a certain point in a business relationship...if me and Senator Pankonin have a business relationship, I'm getting something, he's getting something, and we work it out. If it doesn't work, we just part ways and that's the case. But in your model still, we have a contract, but I still am a little worried that the department is still, you know, can you...do you feel comfortable that you can go...and I'm putting you on the hot spot. But I'd ask it of the other two as well, that you can have those negotiations and you had talked about a frank discussion that we need to change this. Is that happening now, and how often do you meet or talk with Kerry or Todd or whoever else? You probably can't talk with them every day and maybe you do, but how does that work because...? It's a tough question, I know, because they're sitting right behind you but (laughter). [LR568]

SANDRA GASCA-GONZALEZ: My directors...no, it is. Well, it's okay. I'd say this in front of them (laugh) anyway. The way we're set up in both service areas is that, at a local level, we have...in the eastern service area, we used to meet weekly. So my directors attend those meetings weekly with their counterparts, and they talk about the day-to-day issues that are happening. I believe now we're looking at every other week is how often we're meeting. My directors report back to me every single meeting, and we sit down and we talk about what issues we may have had. And then when...if there are issues, I

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address them with my counterpart over there or I ask the director to address them with their counterpart over there. I'm really focusing on building that relationship in the levels where it needs to be built because that's how we start to shift the culture, so we do that in the eastern service area. If there's an issue, I have no problem calling Barry Dion (phonetic), and we have regular meetings. He stood me up for lunch recently, but that's okay (laughter). And so did Jeff Schmidt, so (laughter). But anyhow, we do try to connect regularly, and if there is an issue I definitely feel like I can call them. If it's a serious issue, I know to call Todd Reckling as well. [LR568]

SENATOR GAY: So there are those communications that are...would you say those relationships are being strengthened along the way right now? [LR568]

SANDRA GASCA-GONZALEZ: Yes. I believe so. [LR568]

SENATOR GAY: I mean, you've only been here a year really. And he's been doing this...well, everyone has been around. That's impressive that in one year's time, it's also a little bit interesting for us, too to say well, wow, these guys control a lot of kids' and parents' lives. But so...but the relationship is ongoing from all levels. [LR568]

SANDRA GASCA-GONZALEZ: Um-hum. I wouldn't say we always agree, but we work out those disagreements behind closed doors, and we've had issues that we've had, you know, to agree to disagree on. And at the end of the day, we made the decision to still sign that contract. And we do see that...and we wouldn't have done that if we didn't believe that there was a mechanism to be able to change the relationships or challenge things that needed to be challenged. I really believe...like we can...there are a lot of mechanisms, and there's a lot of work being done in both service areas to try to move this forward. [LR568]

SENATOR GAY: That's good to hear. Thank you. Senator Wallman. [LR568]

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SENATOR WALLMAN: Thank you, Chairman Gay. Yeah, thanks for being here. And as far as foster care parents, are you having trouble getting enough of those or? [LR568]

SANDRA GASCA-GONZALEZ: Yes, but I would say that's a nationwide problem. [LR568]

SENATOR WALLMAN: Is it? [LR568]

SANDRA GASCA-GONZALEZ: Yeah. I think part of...from our perspective, some of our struggle is that we have certain standards we're implementing such as we want our foster parents to have income guidelines, so that they can at least show that they can sustain their own family. So that's...we're not where I want to be yet, but we believe that that's an important factor, so there's... [LR568]

SENATOR WALLMAN: I have friends who are foster parents, and they finally quit because of the hassle with the paperwork and stuff, you know. And maybe it's income guidelines, I don't know but. [LR568]

SANDRA GASCA-GONZALEZ: That's not a state requirement. That's something that we're adding to that... [LR568]

SENATOR WALLMAN: You do? [LR568]

SANDRA GASCA-GONZALEZ: And for our paperwork process, there is a lot of paperwork. We have a foster care specialist who's assigned from the very..from the point of entry into our recruitment process that helps them fill out the paperwork. [LR568]

SENATOR WALLMAN: Okay, thanks. [LR568]

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SENATOR GAY: Senator Campbell. [LR568]

SENATOR CAMPBELL: Thank you, Senator Gay. Thank you for coming today and as I have said to every one of you, thank you for putting in those private dollars. But as I begin adding that up, if you say, well, we're willing to put in 5.9 and 6.2, and then we add the other 5 and the other 6, over two years that's almost \$23 million that's coming from the outside...private dollars that come into the system. In your experience, and you started on that, and then you went to another point. You said, well, in the third year we began. At what point would the private sector not be putting in those millions of dollars? [LR568]

SANDRA GASCA-GONZALEZ: If our projections are correct which is completely based on this fiscal year and how we can have the system evolve, we will show a break-even by year three. It's...so 2013. [LR568]

SENATOR CAMPBELL: In 2013. [LR568]

SANDRA GASCA-GONZALEZ: Um-hum. [LR568]

SENATOR CAMPBELL: So do you think at this point, what would happen if one of the other leads said, nope, we've reached the limit to what we have. I mean, you've been empowered by your agency, but if one of the others said, is KFC...KVC (laughter)...I do that all the time. I apologize to you. I do that all the time. [LR568]

SANDRA GASCA-GONZALEZ: Everyone does it. Everyone does it. I know. (Laugh) It's okay. [LR568]

SENATOR CAMPBELL: All right. Do you see yourselves then stepping in and picking that up? [LR568]

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SANDRA GASCA-GONZALEZ: Part of our contingency plan with the state and one of the requirements is that we would be considered as someone...one of the contractors that would step in. We would have to have negotiations and discussion around that, depending on which service area that was, but that is part of the agreement that we made. [LR568]

SENATOR CAMPBELL: And with the point of then adding more and more dollars above and beyond the 12.1? [LR568]

SANDRA GASCA-GONZALEZ: We would have to have those negotiations with the state. And I do want to add that there are efficiencies when you have less contractors involved. I'm not advocating for that in any way. What happened in the southeast service area was really tragic, and in terms of for me personally because I had close relationships with the people who were lead contractors. I established them quickly. I know I've only been here less than a year. However, it built some efficiencies that we've been able to see in terms of even talking with stakeholders. There's a lot more clarity to what it is that we're trying to accomplish. They're not having to try to remember three different service models, and so it's actually creating an efficiency in itself, not to mention the administrative overhead that comes with that. [LR568]

SENATOR CAMPBELL: Thank you. [LR568]

SENATOR GAY: Senator Coash. [LR568]

SENATOR COASH: Thank you, Senator Gay. Sandra, what looks different in year three and four that allows you to say with confidence, we should be okay then. And, you know, and you don't have to give me a breakdown of your financials, but I mean, in general, what's going to be different in two years that's not occurring now and what are we working towards here? [LR568]

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SANDRA GASCA-GONZALEZ: The difference is in these treatment services that are court ordered, the ones that I mentioned earlier. And our hope and our expectation would be that we would have solidified a way with all the parties involved to have some way to pay for those services with the appropriate funding source. So we're counting on that. We're also...I mentioned our program model and creating efficiencies by having our staff serve them, and 80 percent of those services being provided by our staff...that has a savings of,...I would have to double check, but it's over \$2 million. [LR568]

SENATOR COASH: But the first thing you said, it sounds like you're counting on some things that you don't have a lot of control over, and it's a concern. I mean, you're saying, you know, if we can get the appropriate funding for treatment services and wherever that is, we should be okay, but you don't get to make that call in a lot of cases. Am I correct? [LR568]

SANDRA GASCA-GONZALEZ: You are correct. The way we've structured ourselves is that we have a care support unit. We actually hired one of Magellan's employees to lead that unit, and we're working on how we shape the...we'll work with them within the appeals process within getting community-based services approved more timely. And that unit will be working with Magellan with our staff. We're also going to specialize a team who serves those higher needs youth to have mental health case management backgrounds, so that they know how to tap into the appropriate services, and it'll be led by our clinical services department. So there's a number of strategies that we're using internally that make us comfortable with the direction that we're trying to move in. You're right though...we don't have control over that. This is just our way of implementing strategies to get there. [LR568]

SENATOR GAY: Senator Howard. [LR568]

SENATOR HOWARD: Senator Coash, you're right on. When I read through the contract, the first thing that jumped out at me and that was really early on in the

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document was that if the court ordered a treatment and Magellan refused for whatever reason to pay for that treatment, that the cost fell on the agencies which with my experience in child welfare, that was going to be really expensive. Now I'm wondering if you have figured out a way or you have been successful in working with Magellan to get them to reconsider some of their refusals. When I worked there, they were pretty adamant about the things that they were not going to pay for. I mean, they weren't very open for reconsideration or whatever you want to call it, and I don't see, number one, that Vivian Chaumont is going to be looking at any additional funding to pick up any slack on payment, and I don't think we're going to be having any additional money available to subsidize this. So what do you see...I mean, you're hopeful and that's what you told Senator Coash, but what do you see in terms of reality? I'm not trying to discourage you. We like you coming in with your donor money (laugh). You can stay, but (laughter)...and your dollars, but the reality of it is, that's a tough nut to crack. I worked it; I know. I just want to know what are you seeing? What do you think is going to change this? [LR568]

SANDRA GASCA-GONZALEZ: I really believe...I have lived...I have danced this dance before, and I know this is a different system. I think that the things that we have to put in place is to challenge very openly the system, and I hear what you're saying about not having any more dollars, but I do believe that there are cases that we could file appeals on that we haven't. And that goes back to how our staff present a case, how our staff are clinically versed, and what kind of...how we craft that message back. And I think... [LR568]

SENATOR HOWARD: Are you talking appeals to the court or appeals to Magellan? [LR568]

SANDRA GASCA-GONZALEZ: To Magellan. [LR568]

SENATOR HOWARD: Okay. [LR568]

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SANDRA GASCA-GONZALEZ: Yeah. No, we won't be appealing to the court (laughter).  
[LR568]

SENATOR HOWARD: Their decision? [LR568]

SANDRA GASCA-GONZALEZ: Yes, it's their decision, and we understand that. [LR568]

SENATOR HOWARD: Good luck. [LR568]

SENATOR GAY: All right, any last questions? I don't see any. Thank you for coming and before we adjourn here, there probably...this is a combination LB603 and the Health and Human Services Committee getting together. I'll confer with Senator...  
[LR568]

SENATOR CAMPBELL: We do have an announcement before you adjourn. [LR568]

SENATOR GAY: Todd wants to come up again? Okay, but I guess what I'm planning is keep in touch with Senator Campbell, of course, and maybe get together. I know again, consumers, consumer advocates would like to probably present as well or... [LR568]

SENATOR CAMPBELL: Oh, yeah, we have an announcement on that. [LR568]

SENATOR GAY: Yeah, okay, and then...but anyway, when it comes to Mr. Hackett or Judy...I know you may not be with us, but this is a relationship between the administration, the legislative body, and Judicial. There's a lot of people involved in this, and any time that you feel that you need to contact any of these senators, of course, we hope you would. So that's an open invitation to call or invite to come visit, whatever the case may be. I've talked to every one of them, and I'm sure they're open to that and would appreciate that. So I think it's...that we continue to work together. Feel free to do



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that, so now we have another...go ahead. [LR568]

SENATOR CAMPBELL: We do have an announcement, a commercial announcement. The LB603 committee, and there are a lot of the senators here today, and I appreciate that...we'll have a meeting on September 22 and it is a public hearing. And we will be taking testimony. We are inviting one representative from parent groups to give us information, so it will be pretty much devoted to them. However, we also have asked for an update from Magellan to kind of keep going back to the questions that you've all been asking, so those will be the two items on the agenda. And then I do believe that Mr. Reckling and Mr. Adams are going to give us some...an update on the old question about whether we're blurring people from Behavioral Health to Child Welfare, and both of those said they were going to look at some figures to try to look at an update from when we looked at, at the last meeting. So I really appreciate you all being here, and if you know of a parent group that you think would like to testify, please get in touch with my office. [LR568]

SENATOR COASH: We would welcome firsthand success stories as well as people with... [LR568]

SENATOR CAMPBELL: Exactly. [LR568]

SENATOR COASH: ...challenges with the department as well, so. [LR568]

SENATOR HOWARD: It's severe, you know, inpatient treatment. It's managed care is what it boils down to and they're not getting anything costly because the profit comes from the money they save (inaudible)... [LR568]

SENATOR GAY: Do you need anything else you'd like to cover or? [LR568]

TODD RECKLING: I don't. I just wanted to thank the committee and as always, I left you

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with a little bit of data, so we look forward to future opportunities to update the legislative bodies and thank you for your time and dedication today. [LR568]

SENATOR GAY: Yeah, absolutely, no problem. Senator Gloor, could you answer a question or two? Senator Gloor. [LR568]

SENATOR GLOOR: Just...I would direct this...I'm sure we all would agree with my comment to both Todd and Kerry, and that is, you know, what we're capable of doing during these hearings is to gather information and it can be one of two things. One, serve to help guide us a little bit in our budgeting and second is serve as a basis for potential legislation. So as we're talking about a transition, and you know, we've heard KVC say we're talking about a two-year period of time and we're going to figure this out, and there have been other comments along those lines. So what should we be talking about here legislatively that helps with that transition? You know, what...I'm not asking for an answer now, but what is it that we ought to be looking at that helps pave the way, grease the skids, do whatever, and I'm not talking about things that are home runs. I'm talking about bunts and singles here because I think that's about the best we can do given our budget realities. [LR568]

TODD RECKLING: I appreciate the opportunity and I won't answer your questions because I don't have...but I would like to make one comment today, and it goes back to what Senator Stuthman said, and this is my opinion. We continue to rustle with extremely large proportion of kids in the system. We hit an all time high of kids committed to the state care and custody in April, 2006. We had 7,803 kids. We're down to about 6,393 kids, but proportionally, Nebraska is still very high on the number of kids that get removed from their homes and come into the system. I think our challenge for all of the branches of government is how do we work together to best serve families through a family-centered, person-centered approach, provide in-home and community-based services and not have to bring kids into the system that don't need to be here? If we were even where we needed to be per proportional rate with some of the

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other states...I haven't looked at the numbers for a while but when we did the research before, we would have less than 5,000 kids, and that's still on the high end in the system. Think of what we could potentially do with those dollars to serve kids up-front and front load the system differently. That to me is the challenge: How do you take care of the problem preemptively in the early stages before we're dealing with them on this end of the system. [LR568]

SENATOR GLOOR: Thank you. [LR568]

SENATOR GAY: Is that the light at the end of the tunnel you're talking about? (Laughter) [LR568]

TODD RECKLING: That is the light. Thank you. [LR568]

SENATOR GAY: Very good. Does Senator Dubas and Senator Gloor want to make a PSA for the state fair or anything like that? (Laughter) Isn't that...? (Laughter) [LR568]

SENATOR DUBAS: The buildings are beautiful; the grounds are beautiful. You'll have a great time. [LR568]

SENATOR GAY: Thank you very much. Thank you all. [LR568]