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Health and Human Services Committee January 22, 2021
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ARCH: [RECORDER MALFUNCTION] and welcome to today's briefing to the Health and Human Services Committee. This afternoon we'll be receiving a briefing on the state's contract with Saint Francis Ministries for child welfare case management services in the Eastern Service Area. My name is John Arch. I represent the 14th Legislative District in Sarpy County, and I serve as Chair of the Health and Human Services Committee. I'd like to invite the members of the committee to introduce themselves first, and starting on my right with Senator Day.

DAY: My name is Senator Jen Day and I represent District 49, which is northwestern Sarpy County.

WALZ: You want me to go?

MURMAN: [INAUDIBLE]

WALZ: Lynne Walz, I represent District 15, which is all of Dodge County.

MURMAN: Hello, I'm Senator Dave Murman, District 38, Clay Webster, Nuckolls, Franklin, Kearney, Phelps, and southwest Buffalo County.

WILLIAMS: Matt Williams from Gothenburg, Legislative District 36. That's Dawson, Custer, and the north portion of Buffalo Counties.

M. CAVANAUGH: Machaela Cavanaugh, District 6, west-central Omaha, Douglas County.

B. HANSEN: Ben Hansen, District 16, Washington, Burt, and Cuming Counties.

ARCH: Also assisting the committee is one of our legal counsels, Paul Henderson, and our committee clerk Geri Williams. And the pages today are Kate and Rebecca. This briefing is invited testimony only, so I won't go through a long list of procedures today, but I will remind the committee and anyone in the audience to please turn off or silence your cell phones. Finally, for the safety of our committee members, staff, pages, and the public, we ask those attending this briefing to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We request that everyone utilize the identified entrance and exit doors to the hearing room. We request that you rewear-- you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribers in clearly

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hearing and understanding the testimony, and pages will sanitize the front table and chair between testifiers. Today's briefing is being recorded and will be transcribed, so I'll ask the test-- invited testifiers to please be sure to state and spell your names for the record. I appreciate representatives of both the Department of Health and Human Services and Saint Francis appearing before the committee today to update us on this important subject. There has been a lot of interest in the state's contract with Saint Francis from the members of the committee and from many other members of the Legislature, the media, and other stakeholders in the child welfare arena and the public in general, so I also want to thank NET for streaming this briefing today. We're going to start the briefing by hearing from the department. First we'll be briefed by CEO Dannette Smith. She'll be followed by Stephanie Beasley, director of the Division of Children and Family Services. After we have heard from the department, we'll be briefed by William Clark, the interim president and CEO of Saint Francis Ministries. And Mr. Clark will be followed by Matt Stephens, Saint Francis Ministries' vice president. At the conclusion of each organization's presentation, I anticipate the committee will have questions. Both presenters at that point will be able to come to the table to answer questions. And with that, I'll invite Dannette Smith to the testifier table to proceed with today's briefing. Welcome, CEO Smith, and thank you for coming today.

DANNETTE R. SMITH: Thank you for having me. Good afternoon, Chairperson Arch and members of the Health and Human Services Committee. My name is Dannette R. Smith, D-a-n-e-t-t-e, middle initial R., last name Smith, S-m-i-t-h. I am the chief executive officer for the Department of Health and Human Services. My team and I are here to provide an update on child welfare case management services in the Eastern Service Area-- case manage-- in the Eastern Service area comprised of Douglas and Sarpy Counties. You will also hear from Stephanie Beasley, director of the Division of Children and Family Services, who will provide information on program oversight. You should have a binder with documents we will be referencing as we go along. I ask that you please hold questions until we have completed our presentation. In addition to providing updates, I am here to acknowledge your concerns and address key questions you have for me related to Saint Francis Ministry and the future of child welfare in the Eastern Service Area, ESA. A bit of background: Omaha-based organization PromiseShip was the case management services provider in ESA from 2009 to 2019. In 2019, nearing the end of their contract, DHHS, under the guidance of the Department of Administrative Services,

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prepared for a new procurement process. Fifteen months ago, I appeared before this committee during our transition from PromiseShip to Saint Francis Ministry, an organization based in Salina, Kansas. Saint Francis prevailed in the 2019 procurement process and was selected to provide services in the Eastern Service Area beginning in January of 2020. A phased transfer of cases started in October of 2019. Saint Francis remains the ESA contractor for child welfare case management services. But as you know, in November of 2020, two tenured Saint Francis executive-- executives were removed, along with their contract-- contracted general counsel, after an internal investigation found evidence of serious financial mismanagement in Kansas. The president, CEO and COO, who had worked closely with the HHS over the past year and a half, were found responsible for the financial misconduct. To our knowledge, Saint Francis' financial mismanagement revolves around their operations in Kansas. We have processes in place to ensure proper expenditures of federal funds for the benefit of children in Nebraska. Further, we have no evidence of misuse of any funds from the state of Nebraska. I'm disappointed and appalled that the state of Nebraska and HHS are caught in the middle of the Saint Francis organizational crisis. I know many people are questioning the decision of the department in the midst of this. I've been introspective about my leadership and I've also examined and had conversations with persons who do child welfare across the country. And I always look for strategies we can use to always improve our processes. For the past few months I have questioned, what did I or the department, what did we miss? What should I or the department have done differently? I have considered our contracting decision from a variety of different angles. Each time I arrive at the same conclusion. In contracting with Saint Francis, we made the best decision we could at the time, given what we knew and the options in front of us. What we didn't know was that with Saint Francis, we were dealing with two executives whose trustworthiness and integrity were less than impeccable. I'm encouraged by the commitment, transparency and action exhibited by Mr. William Clark and his new executive team at Saint Francis. And I am confident that they share our greatest priority to do what is in the best interest of children and families here in Nebraska. So today, Director Beasley and I will address several topics: (1) examine how we got to this point; (2) address concerns about the department's decision making and transparency; (3) provide details on the Saint Francis budget, expenditures, and contract terms; (4) detail how DHHS has worked with Saint Francis over the course of the first year of their contract; (5) explain outstanding concerns related to their management of the child welfare

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cases; and finally, describe our path forward. By the summer of 2019, DHHS was ready to award a new contract for the Eastern Service Area case management services. Through the written evaluation, oral interviews, Saint Francis Ministries scored high, higher than PromiseShip, and was selected as the new vendor. An intent to award was issued in June of 2019, marking the beginning of a transition. I will provide more detailed information on the procurement process later in my testimony. Negotiation-- negotiating final terms with Saint Francis included clarifying their ability to achieve the department's goals and to meet statutory requirements like caseload numbers. Former Saint Francis Ministry Chief Operating Officer Tom Blythe, confirmed the organization's ability to comply with these requirements within their contract-- within their contract amount. I'd like for you to just take a brief look tab 1 in your binder. With that conversation resolved, a five-year contract was finalized on July 3, 2019. Also on July 3, 2019, DHHS convened its first weekly ESA transition team executive briefing, and you will find an example of that information at tab 2. The document in this area gives you an idea of how we were managing from the very beginning, and I wanted to have an opportunity to show you the level of detail and conversations we were having with Saint Francis. Through 2019, a seamless transition with a minimal impact on children and families was our ultimate goal. To achieve this, the department created a team to work with both PromiseShip and Saint Francis to facilitate the hand-off. The DHHS transition team included dozens of department teammates guiding and directing numerous operational elements of tran-- of the transition related to fiscal, management, human resources, information technology, contract management, quality management, service coordination and, finally, communications. In preparation for case transfer, the department developed a review tool to determine overall readiness, as well as ensure financial, functional, and structural preparedness. A copy of that tool could be seen in tab 3. This tool was developed with guidance from the Stephen Group, a national child welfare consulting firm. As the CEO, I relied on the read-- on the readiness tool and the ESA transitional Gantt chart to make certain we were on course and managing each detail within our control. The Gantt chart showed the major activities planned through the case management transition, from procurement in spring of 2019 to the first full quarter of Saint Francis' case management in the calendar year of 2020. It displays activities that were behind schedule, which allowed me to work with the team to course correct as necessary. You will find that document, tab 4. To ensure a smooth and careful transition of cases, CFS developed a phased transfer of cases over the course of

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several weeks prior to January 1, 2020. The case transfer began in October of 2019. I led this phase approach based on my experience and history as a contractor in child welfare. The phased approach helped the entire system shift with us, and it made sure cases and children received the care and attention they needed. For several months during the Saint Francis transition, I took an active role in the management of CFS operations. I served as interim director of the division from September 2019 to February 2020 when Miss Stephanie Beasley joined our DHHS executive team as the director of Child and Family Services. In addition to holding weekly meetings with the transition team, I also met regularly with Saint Francis executives. As part of their two-day visit with stakeholders in Omaha and Lincoln September 18 and 19 of 2019, I met with the COO and the regional vice president, who was chosen to lead the operations in the Omaha office. Our first bi-weekly executive meeting was held September 23, 2019. I continued to meet with the executives until Director Beasley assumed those responsibilities, including an in-person meeting with the team in Omaha, February 7, 2020. Please look at your tab 5. It gives you an example of the actual agenda for that particular meeting. In these executive meetings, my team and I offered direction and guidance to the local leaders about also demanding-- and we demanded attention on critical-- on areas that were critical to the success of ESA, including core performance, consistent supervision of case managers, sufficient staffing to achieve caseload standards. As Director Beasley will explain, those areas continue to warrant our attention, even though Saint Francis has made strides in some of those key areas. Within Director Beasley's first several months, she, too, shared concerns with me on the new vendor's program performance and financial management. To some extent, program and performance hiccups happen and are expected during the vendor's first year. Child welfare case management is incredibly complex, and despite comprehensive planning and collaboration with Saint Francis, some performance gaps developed. These continue to be addressed through standard contract monitoring and oversight, which Director Beasley will detail in her testimony. The financial concerns were another matter. By spring of 2020, we saw that Saint Francis was spending at a monthly rate that would exhaust budgeted funding before the end of the fiscal year 2020. The same rate of overspending carried into fiscal year 2021, which began July of 2020. DHHS leadership was clear, consistent with Saint Francis, they would not pay more than the do-not-exceed amount of their contract, which was based directly on their RFP bid amount. Also consistent with their monthly spending, if that trend continued, they would be out of funds for this fiscal year by February 2021. Director Beasley and her

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staff addressed these fiscal concerns in their monthly meetings with the executive-- in their monthly executive meetings, but through the first quarter of the current fiscal year, saw no change in expenditure patterns. On October 7, 2020, I met with Father Bobby Smith, former president, CEO of Saint Francis. I reiterated the do-not-exceed amount of the contract, and he assured me the organization would not need to request more funds. He also assured me that they would eat the expenses in excess of their contract amount for fiscal year 2020. Father Bobby committed to do the work Saint Francis was contractually obligated to provide. On October 28, 2020, three weeks after the conversation with Father Bobby, I learned that he and the COO Tom Blythe had been suspended pending an internal investigation. My first thought was about the safety of the children in our care. I needed to know the nature of the investigation. We click-- quickly discovered Saint Francis had received a whistleblower complaint alleging financial mismanagement. William Clark would be the interim CEO. My initial call with Mr. Clark on October 28, 2020, was followed by a conversation on November 3, 2020. He expressed his commitment to Nebraska and the children under his charge. On November 12 of 2020, he and his team met with me formally for the first time. I was joined by Director Beasley, Chief Financial Officer Michael Michalski, and our general counsel Bo Botelho. Mr. Clark outlined budget shortfalls and options for DHHS to consider. The cumulative budget shortfalls were consistent with what we had projected. On November 23, 2020, 11 days after our meeting with Mr. Clark, Saint Francis officially removed Father Bobby Smith and Tom Blythe following the investigation into financial mismanagement. The contracted general counsel was also removed. My team and I met with the new Saint Francis executive team on December 10, December 21, 2020, as well as Friday, January 8, 2021. Mr. Clark continues to be transparent and action oriented. With disclosures of the true financial picture at Saint Francis, our team at DHHS determined our next steps. As always, the best interest of children guiding our decision is paramount. We must make sure Saint Francis has the resources it needs to provide high-quality child wel-- child-- high-quality case management services for children and families in Douglas and Sarpy County. We continue to meet regularly with Mr. Clark and his team. Starting in January and February of this year, 2021, we are increasing the frequency and intensity of our meetings with Saint Francis leadership and executive team. DHHS issued a letter to Saint Francis detailing intent to negotiate a contract-- contractual terms and ensure their case management services are paid. Director Beasley will discuss performance expectations as we move forward with the new team at Saint Francis. Now I would like to

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provide more information and context on the 2019 procurement, Saint Francis expenditures, funding, and contract details. Contracting for case management lead agency is permitted in the Eastern Service Area. From 2009 to 2019, DHHS had contracted these-- contracted these services to PromiseShip, formerly known as Nebraska Family Collaborative. To provide context on the historical ESA case management finances, I've included a handout showing PromiseShip's expenditures in tab 6 in your binder. You'll notice that in 2019, DHHS provided over \$69 million to PromiseShip and over \$71 million the year before. Except for the final year, PromiseShip expenditures grew steadily each year of their contract. In contract year 2018, nearing the end of PromiseShip's last two-year contract, DHHS, under the guidance of DAS, prepared for a new procurement process. The Stephens Group was hired to measure the effectiveness of Nebraska's outsourcing model and whether it was meeting the department's goal of economic efficiency and improved outcomes for children and families. While the report identified both successes and shortcomings, it also provided guidance for improving the privatization model going forward. The department used these recommendations to create a request for proposal to attract a vendor that could deliver high-quality case management and child protective services that strengthen families. That request for proposal was released roughly two years ago, in January of 2019. The state received two proposals, from PromiseShip and Saint Francis. DAS oversaw a scoring and evaluation panel that included representatives from the Foster Care Review Office, the Nebraska Indian Child Welfare Coalition, Inc., Nebraska Children and Families Foundation, as well as our own DHHS program and fiscal administrators. A team of eight reviewers evaluated the written proposals from both organizations. Included in the written proposal-- proposals was the required submission of audited finance statements from both organizations, and both organizations met that requirement. PromiseShip and Saint Francis Ministries were then invited to oral interviews. These interviews focused on predetermined questions around fiscal management. The DHHS written and oral interview panels included financial and audit managers. In June of 2019, after tabulation of the predetermined scoring criteria, DHHS posted an intent to award, identifying Saint Francis as the awardee. PromiseShip protested the award and DAS upheld the decision in July of 2019. While finalization of the contract was occurring, our team was preparing for a transition of providers. This transition included the DHHS team members going to Saint Francis headquarters in Kansas on September 16, 2019, to perform a financial systems audit. The audit included a review of separation of funds, financial controls, separation of duties, protocols for

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providers' receiving and payables, understanding of federal, state, local and community funding sources, and open discussion related to cost-allocation methodology options. Saint Francis' accounting staff also performed a financial system walk-through and were able to provide live examples and documentation of adherence to the generally accepted accounting principles. Cases began to transition from PromiseShip to Saint Francis in October of 2019, and by January of 2020, all cases had transitioned to Saint Francis. As part of the RFP and contract requirements, the CFS team worked with Saint Francis to define the monthly prepayment request process and the timing of financial reporting. Each month, Saint Francis is to report a statement of activities, a statement of functional expenses, a statement of functional positioning, an aging report, a cash flow statement, and a journal of all transactions in that month. CFS finance utilizes these reports to audit transition-- transactions and ensure expenditures are actual and allowable. We pay Saint Francis each month based on their estimated need for the month and then reconcile actual expenses within 60 days. This is a pay-as-you-go model to ensure they have sufficient cash flow. I have provided you a handout titled Saint Francis Summary of Costs-- that's tab 7-- that outlines the contract years, the allowable amount, the contract, the payments to Saint Francis Ministry. This illustrates that in year one of our fiscal year 2020, Saint Francis reached their contractual do-not-exceed amount in May of 2020. That is shown in the first red box on the handout. It is estimated that \$10.5 million-- million of incurred expenses went uncompensated by the state. Now I'd like to draw your attention to year two. On that handout, state payments to Saint Francis started in July of 2020. Through December 2020, Saint Francis has received \$33.1 million and is projected to hit their do-not-exceed amount in February of 2021, represented by the second red box. This signifies an approximate \$25.3 million contractual shortfall for this state fiscal year. For comparison to PromiseShip's RFP, this expense would put Saint Francis at \$66.7 million compared to PromiseShip's year two proposal of 65.8. It's a \$1 million gap. These numbers are in line with PromiseShip's expenditures as seen on handout 5. I will now-- now address appropriations and where funding is available to cover these two shortfalls, the fiscal year 2020 and fiscal year 2021, and funding sustainability going into the new biennium. Please look at tab number 8. The handout is titled Program 354, Child Welfare, shows two remaining balances after appropriations and financial obligations. The yellow box shows that the fiscal year 2020, we have sufficient funding to cover Saint Francis' \$10.5 million shortfall. The green box shows that the fiscal year of 2021, even with

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an additional \$25 million for Saint Francis, the remaining fund balance is over \$10 million. We believe we are approp-- we have appropriate enough funds to pay Saint Francis for their actual Eastern Service Area expenses going forward without seeking additional funds from the Legislature. Our next step will be to negotiate emergency contract with Saint Francis. This contract will increase the amount paid to the vendor. We have the available funds to manage. We will continue to enforce financial oversight requirements that will-- that all expenses-- all expenses be actual and allowable. We will continue to perform monthly and annual reconciliations of expenses incurred to the revenue paid. An emergency contract, continued vendor relationship with Saint Francis will allow for continuity of care and stability of our youth and family in the Eastern Service Area. Finally, and then I'll take my seat, Chairman Arch, I thought I might ask some questions that I've heard that people may want the department to answer, and so I'm here to start that discussion, if that's OK. The first question is, why didn't DHHS attend the interim hearing on December 16, 2020? I was not able to attend for two primary reasons. The first, DHHS continues to lead the state's response to COVID-19 and I am actively involved in day-to-day operations of the Division of Public Health in partnership with Dr. Gary Anthone. In December of 2020, we were coming out of a major surge of cases here in Nebraska and preparing for the next critical phase, which you are aware of, the rollout of the vaccinations. Secondly, our understanding of Saint Francis' situation, how best to address their budget contract concerns, have continued to evolve. The information we have provided you today is significantly more developed than what we would have been able to provide to you just a month ago. Additionally, and to reiterate, I-- we did not instruct Saint Francis not to attend the hearing. Why did we sign the contract with Saint Francis if we knew it was underbid? We did not know it was underbid at the time. No one here knew. As it turns out, only a few people at Saint Francis knew, including the two exec-- executives who allowed the bid to move forward despite knowing the cost was too low. Those executives have been removed. We heard from many people who believe Saint Francis had underbid the contract. This was based on comparison with what PromiseShip had paid for delivering the same services. But many people also believe PromiseShip was overpaid for their services. Plus, we had an audit report that outlined numerous examples of excessive and disallowable spending, and you can see that in your binder on number 9, tab 9. Cognizant of people's concerns about Saint Francis' bid, our department performed significant due diligence around Saint Francis, understanding the ability to meet caseload ratio requirements, this would be a major

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driver of their expenses. As I explained earlier, we received assurances from the COO that they understood the caseload requirements and would meet them with their contract amount. Based on our previous experience with Saint Francis, a CFS provider in the western part of Nebraska since 2012, we had no concerns about their leadership or integrity. We believed that they could do the work, and because of the precedence of the work they had already done in the western part of the state, so our concerns about fiscal management and program management, because they had a contract in the western part of the state since 2012, we figured this was a good partner. As always, Monday morning quarterback, we can always do things differently. Please understand that purchasing case management services is not like buying a computer or even a car. There is no standard price for what you're trying to buy. The cost per contract, case management services, involves a wide range of variable factors and we must be fluid and flexible in our contract. In addition, we have little ability to control some of the cost of child welfare services. If a child or family qualifies for a service, we provide it. If a judge orders a service, we provide it. In Nebraska, we pay our providers. With consideration of the extensive procurement process, the evaluation resulting in the bidder's reputation, assurances, and signed a contract with Saint Francis Ministry, appeared to be the best interests of DHHS and the state of Nebraska, or the state of Nebraska's children and families. And for the procurement process, working closely with DAS, I know we adhered to the state structure and protocols. The process left us with a few options: reject the bid and start the procurement all over-- given that we received just two responses to the RFP-- to the RFP, this option may not have produced a different result; reject the bid and enter into an emergency contract with PromiseShip to maintain continuity in the ESA; and third, accept the outcome of the process, which is what we did. This resulted in awarding the contract to Saint Francis. Saint Francis, though, had an option as well. They could have withdrawn their bid because, unbeknownst to us, it was too low to support the cost. They chose not to do so. Question three: What did we know? When did we know it? As I shared, we were paying close attention to Saint Francis' spending throughout 2020. I had a direct conversation with the former CEO in October of 2020. By November 2020, we found out that two executives had mismanaged finances, incurred millions of dollars in questionable costs unrelated to our contract, and deceived their board of directors for well over a year. In that same month, in communication with the interim CEO, we also confirmed the contract amount was not sufficient to meet their expenditures in the Eastern Service Area. In late

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December of 2020, we learned more about the financial challenges facing Saint Francis. By mid-November, we had begun exploring options to support the vendors' actual expenses for case management services. Those options continue to be assessed. DHHS responded to media inquiries, issued statements about Saint Francis on October 30, November 19, and December 16, 2020. For reference, there have been two whistleblower complaints related to Saint Francis' finance. The first, which led to the suspension of their executive, was-- was submitted to the organization on October 21, 2020. A separate, earlier whistleblower letter was submitted to Kansas Department of Children and Family Services in November of 2019. However, we did not become aware of the letter until December of 2020. Why are you continuing the contract? Saint Francis provides comprehensive case management services in the Eastern Service Area. They employ approximately 280 employees in Omaha and serve more than 1,900 children. They have the expertise, infrastructure to carry out the services we require. Moreover, their leadership-- their new leadership team has demonstrated commitment, transparency, and a willingness to tackle big challenges. They continue to right-size their Omaha operations to serve the children and families of eastern Nebraska. We continue-- and we will continue to intensely-- intensely monitor their work. To maintain continuity of services, we are pursuing a new agreement with Saint Francis, subject to negotiations. Our legal team has advised that a new contract is required, as opposed to an amendment to the current contract. Team-- terms and conditions are still being developed. Finally, why not just bring the cases into DHHS? DHHS is not currently prepared to serve the Eastern Service Area. Any more-- any more away-- any move-- I'm sorry. Any move away from continuing to contract with Saint Francis would risk disruption for children and families, caseworkers, and clinical providers. Any other option would require many months of transition work to once again carefully shift a system. At this time, continuing to contract with Saint Francis allows us to focus on children and families. In the coming months, we will continue to evaluate their performance and provide intensive oversight to ensure children and families are receiving what they need. Thank you, Chairman Arch and the Committee of the Health and Human Services, for the opportunity to provide context to you on our history with Saint Francis Ministry, our recent conversations with their new executive team, and the department's decision making with regards to the Eastern Service Area. Director Beasley will now describe how the Division of Children and Family Services provides oversight and guidance to Saint Francis. Thank you again.

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ARCH: Thank you, CEO Smith, and we'll hold questions for after Director Beasley's presentation. Welcome, Director Beasley.

STEPHANIE BEASLEY: Thank you. Thank you, CEO Smith. Good afternoon, Chairperson Arch and members of the Health and Human Services Committee. My name is Stephanie Beasley, S-t-e-p-h-a-n-i-e B-e-a-s-l-e-y, and I serve as the division director for Children and Family Services. I entered this role in late February of 2020. I appreciate the opportunity to provide information about our team's oversight of Saint Francis Ministries. As the focus of CFS is the safety and well-being of youth and families across Nebraska, the performance of the Eastern Service Area vendor is of significant importance. Strong partnerships require clear, consistent, and frequent communication. In this partnership, CFS staff work closely with Saint Francis. An example of this commitment to communication is the series of recurring meetings held with Saint Francis and child welfare stakeholders. You'll see a table listing of all of the recurring meetings on tab 10 in your binder. These are broken out into a monthly, quarterly, etcetera, and the purpose of those meetings are also in there. These recurring meetings involve numerous child welfare system partners, including CFS teammates with a wide range of specialties, their peers within Saint Francis, families, providers, corporate partners, and Child Advocacy Center representatives, plus medical and behavioral health specialists. Meeting frequency varies, depending on topic and need, from daily to quarterly and as needed. I would like to highlight a few of these key meetings, monthly meetings between executive leadership from Saint Francis and DHHS. Upon assuming the role as CFS director, I began meeting monthly with the COO of Saint Francis to discuss concerns, issues, and successes in the ESA contract. Additionally, until the departure of the former executives last year, the COO, president and CEO, regional VP, and I met monthly to review corrective action plan progress, leadership needs, and operational needs. Daily huddles with the CFS contract-- contract manager and the Saint Francis director of operations are held to address issues or discuss information coming from DHHS, such as quick tips or policy updates. This structure began on April 3 of 2020, as a result of the pandemic, to ensure clear communication to address the unique needs of ESA children and families. These have since continued as a management tool to ensure prompt attention on operational and programmatic issues. ESA's senior leadership meetings include CFS Deputy Director Alger Studstill, service administrators, our contract manager, our lead attorney, as well as the Saint Francis regional VP and director of operations. The focus of this-- these

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meetings is the overall health and performance of the-- of the ESA, from intake to ongoing management, resolving issues and barriers with stakeholders, identifying innovative opportunities within ESA, review of service area data, status of active CAPS, and ways to improve service delivery throughout Douglas and Sarpy Counties. These meetings have been held twice a month, beginning this month. Project Everlast meetings are held each month to focus on outreach services available for youth and young adults with lived system experience. These meetings are extremely important, but especially during the pandemic, to ensure service and supports to youth who have aged out of the child welfare system. Additionally, in July of 2020, DHHS assigned an experienced leader to further guide the delivery of quality services for children and families in the Eastern Service Area. Lori Harder, a senior manager at CFS, then deputy director of protection and safety, was reassigned to foster strong communication, provide leadership and contract oversight, and increase system enhancement for Saint Francis Ministries. In her new role, she provides technical assistance with accessing resources and funding streams with DHHS, such as funding for guardianships, economic assistance programs LIHEAP, emergency assistance and more. Lori's role provides a high level of coordination between CFS operations and the Eastern Service Area. At the onset of the contract, and in consultation with Stephen Group, an oversight team was developed with delineated roles for contract oversight. So you can see on bind-- in your tab 11 in the binder, there's a handout that delineates and outlines the roles and responsibilities for each person assigned to oversight duties of the contract. From the consultation of the Stephen Group, and to ensure directed focus of case management best practices and quality outcomes for youth and families, an oversight matrix was developed. This oversight matrix identifies 12 overarching measures the team prioritizes when monitoring the contract. The performance within these 12 measures are reviewed, utilizing many measures and data reports. Achievement of the 12 performance measure [SIC] is the primary focus of the team providing oversight to Saint Francis Ministries. I will describe these measures further. Measurement 1: case transfer and assessment. To assess and direct this important work, staffings are held between CFS and Saint Francis to ensure a smooth transition for children and families, from initial assessment to ongoing services. Monthly leadership meetings help identify system issues, develop process improvements, and quickly address any deficiencies. Measurement 2: case management supervision. Cases are reviewed by CFS staff for adherence to measures for safety, permanency, and well-being. Data points are extracted from the DHHS information tracking system, known

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as N-FOCUS. Multiple reports are run by CFS to reflect adherence to state and federal standards and are posted in a shared web portal for easy access by Saint Francis. A listing of all of the reports can be found-- that are utilized can be found on tab 12. It is within this performance measure that compliance with caseloads and federal permanency, safety, and well-being indicators are monitored. The adherence to federal measures are posted monthly on the department's public facing website. Measurement 3: service array. Saint Francis is required to have a single point of contact for referrals and show sufficient capacity to meet the needs of children and their families in a culturally competent way. There must be fidelity to evidence-based models utilized, services must be delivered in the frequency needed, and gaps in services must be addressed and filled. Services to assist children with the transition into adulthood are required. Compliance is reviewed by the contract oversight team during case reviews. Measurement 4: service monitoring. Saint Francis utilizes a competitive application process for subcontractors and conducts quarterly reviews of the network, as evidenced by their quarterly and annual reports. You're going to see some of their quarterly reports in your binder on page 13-- or on tab 13. Measurement 5: educational opportunities. Saint Francis must have policies and procedures demonstrating an understanding of the Every Student Succeeds Act and meet the requirements of this act. A review of N-FOCUS data verifies whether children remain in their home school district. Measurement 6: community engagement. Saint Francis maintains a list of community resources to connect children and families to build strong community engagement. Saint Francis provides reports to DHHS identifying the efforts made in community engagement each quarter. Additionally, they have a cultural consultant and community liaison on staff to further inform and educate on various races, ethnicities, and cultures. Measurement 7: foster care capacity. Saint Francis must maintain an average capacity of two licensed beds per foster child in the Eastern Service Area. A recruitment and retention report is submitted to CFS quarterly. CFS samples completed home studies to ensure compliance with policies, laws and contractual requirements. There is an expectation of Saint Francis that relatives are trained, supported, and licensed as they take placement of relative children. Both best practice for meeting children's needs, as well as the ability to claim federal reimbursement, is supported by licensure. As children meeting federal eligibility requirements are placed out of the home, in order to claim federal dollars, the home must be licensed. A failure to license these homes impacts our federal IV-E claimable rate. The less IV-E CFS is able to claim, the larger

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the state match required. Specifically, each percentage point drop in the IV-E claimable rate in the Eastern Service Area costs the state approximately \$80,000 in state funds per year. Measurement 8: workforce documentation. CFS reviews a sample of Saint Francis personnel files quarterly to ensure adherence to educational and training requirements and to ensure that background and E-Verify checks are completed. Education and training are essential for maintaining a qualified, capable case management staff. All case management staff attend and complete the initial new worker training offered by the University of Nebraska Center for Children, Family and Law, CCFL, to ensure alignment with department policy, procedures, and practice. Initial training lasts 14 weeks and focuses on structured decision making and evidence-based safety assessment model used in multiple states across the country. Measurement 9: use of public and private funds. Saint Francis is expected to maximize public and private funds for the benefit of their clients. To accomplish this, Saint Francis must assist families in applying for public assistance benefits to meet their needs, including Social Security, Medicaid and waiver programs for people with disabilities, Temporary Assistance for Needy Families, Supplemental Nutrition-- Nutrition Assistance Program, and more. They also assist families in accessing community resources such as parenting classes, food pantries, and services provided by faith-based organizations. CFS samples case files to ensure compliance with this expectation Measurement 10: utilization management. CFS reviews case files to assess Saint Francis' success in providing the right service at the right time with the right frequency and built with engagement of families in decision making. Measurement 11: administrative review. Saint Francis submitted an annual allocation-- cost allocation plan and budget to CFS. The allocation plan was approved in December of '19. They provide documentation detailing all expenses during the quarter to DHHS finance team. CFS completes monthly reconciliations to verify contract expenditures are actual, allowable, and allocable. Additionally, CFS reviews internal reports from the N-FOCUS system. The rejected claims reporting form is compared with payments to providers in the transaction journal to ensure claims are paid properly. Service authorization monitoring reports are used to ensure the rates and frequencies that have been authorized by Saint Francis are within predetermined parameters. DHHS finance and program analysis unit regularly reviews N-FOCUS claims and notifies CFS when concerns arise. CFS is in regular contact with Saint Francis Ministries when any questions are noted for immediate resolution. Measurement 12: information systems. Saint Francis Ministries' security administrator works with DHHS to ensure secure

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access to sensitive and personal information, including health information, the IRS database, Social Security Administration database, and the federal Centers for Medicare and Medicaid database. Saint Francis must also comply with the Nebraska Information Technology Commission information technology policies and standards. As I described, these 12 performance meas-- measures from the oversight matrix are monitored in multiple ways. CFS prepares quarterly reports on the 12 measures, which are provided to Saint Francis leadership for review and response. And if you flip to page 14, you'll see those in your binder. These reports are also published on the department's website. The CFS Eastern Service Area leadership team meets quarterly to review performance in case management functions. This review considers transfer of cases, finances, continuous quality improvement, families-- Family First Services Prevention Act implementation, and contract compliance. As part of the monitoring process, successes are noted and deficiencies or concerns are addressed through collaborative efforts. Formal quarterly reviews occur with Saint Francis and Saint Francis' leadership to discuss successes and concerns. When inadequate progress is made, a corrective action plan, or CAP, may be required. Since the beginning of the Saint Francis contract, there have been a total of five corrective action plans, and those plans are included in your binder, tab 15. Of those CAPs issued, four remain active and one has been completed and closed. The first active CAP addresses completion of case plans within 60 days of case opening. This CAP performance is monitored closely with N-FOCUS reporting. The second active CAP addresses documentation of a youth's change of placement within 72 hours. This CAP performance is monitored through N-FOCUS reporting. The third active CAP addresses completion of background checks with Saint-- for Saint Francis' personnel. Site visits and personnel-- and sample personnel files reviewed will continue to ensure compliance until such time that CFS is satisfied that clear, consistent processes are embedded in the onboarding process. The fourth active CAP addresses use of a federal immigration verification system to determine work eligibility status of employees performing service in Nebraska. The one completed CAP addressed court issues and timeliness of court reports. The efforts of the CFS team to provide support and oversight of the contract are also reflected in the following: data provided via the portal of Saint Francis Ministry on a daily basis; Safety Organized Practice training provided to Saint Francis Ministry staff from DHHS Central Office staff and CCFL to ensure that all child welfare staff are providing consistent services across the state; CCFL training provided to new Saint Francis staff, with the department covering the cost of that

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subaward; a SharePoint site for Saint Francis which holds our policies, updates, standard work instructions, reports pertaining to case management, training opportunities, Safety Organized Practice tools, and more. There continue to be areas with Saint Francis Ministries to improve performance, including adherence to caseload standards. Turnover is often high in this field, making stable staffing a significant challenge. Without sufficient and stable staffing, an organization can struggle to manage caseload ratios. Careful planning is essential. Upon request by CFS, Saint Francis submitted a hiring and retention plan to CFS in mid-September of 2020. While initial improvements were noted, this area remains a focus. That plan outlined several strategies, including hiring a recruitment specialist, offering hiring bonuses, developing a mentoring program, and holding weekly huddles with their human resources staff to address vacancies. It is critical that Saint Francis continue to provide resources and attention to this need. The department is committed to ensuring that children are safe across the state, and we believe Saint Francis remains a valuable provider of services to children and families in the ESA. We will seek a new contract with Saint Francis that calls for continued supports and services to families that-- and provide the opportunity to-- that calls for continued supports and services to families and provides the opportunity to innovate the child welfare system with strict accountability. Increasing collaboration with community partners will enhance resources to allow families to remain intact with children safely in their own homes. Thank you for the opportunity to testify. CEO Smith will give closing remarks.

ARCH: Thank you. Director Beasley.

DANNETTE R. SMITH: And so, Senator Arch, at this point I'm not going to make closing remarks because I have a feeling that based on some of the questions, I'll get my point across, if that's OK with you.

ARCH: Sure. We're going to bring another chair up--

DANNETTE R. SMITH: OK.

ARCH: --for you so that the two of you can also--

DANNETTE R. SMITH: All right.

ARCH: --sit at the table and answer-- and answer questions together.

DANNETTE R. SMITH: Sure.

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ARCH: Would you-- would you bring-- yes, thank you. Thank you very much for your presentation, very much.

DANNETTE R. SMITH: Thank you, Senator Arch.

ARCH: At this time, I'd like to offer the senators an opportunity to ask questions, and just let me know and I'll-- I'll call on you. Senator Cavanaugh.

M. CAVANAUGH: Thank you. Thank you for being here. Director Beasley, you started in January of last year?

STEPHANIE BEASLEY: I started on February 24 of 2020.

M. CAVANAUGH: OK, yeah, so, well, I would just like to apologize to you that this is what you've been handed. I have heard amazing things about your work previously and I've heard amazing things about your work right now, and I'm grateful to you for what you're doing so thank you for that. I did want to know where we stand-- and, I'm sorry, there's a lot of information today. Where do we stand right now on meeting our ratios as laid out in statute?

STEPHANIE BEASLEY: For caseload ratios, Saint Francis has dipped a bit and their actual compliance with those number of staff who are meeting caseload standards has declined. I can get the exact number for you. They have-- they actually were issued a CAP this morning on that, and we have been working with them on that. We'd seen progress, but this last 30 days, 45 days, they have dipped.

M. CAVANAUGH: And what is the reasoning for that dip?

STEPHANIE BEASLEY: I don't have a reason. I don't know, you know, turnover ebbs and flows and--

M. CAVANAUGH: I have a follow-up question unless--

ARCH: Sure, please.

M. CAVANAUGH: OK. So you also talked about the different measurements and measurement 7 was about the IV-E funding. And you-- I don't know how familiar you are, but we had a briefing in October of 2019 and I asked a question about the IV-E funding, and Saint Francis indicated at that point in time that that was part of their built-in savings to the state. And you said that every time we don't get that claimable

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rate, it costs the state approximately \$80,000. So how-- how many times are we not meeting that when we should be?

STEPHANIE BEASLEY: So the claimable rate, I can get you the graph to show that we actually-- our claimable rate had been increasing for a period of time, which meant-- means that we are more effective in ensuring that people are supported and licensed. It's sort of a three-legged tool--

M. CAVANAUGH: Right.

STEPHANIE BEASLEY: --or a three legged stool that allows us to do this claimable rate. We have seen that decline. And for each percentage point, and I can send you the graph, for each percentage point of claimable rate, that's the \$80,000. I-- I don't have it broken out for you about the Eastern Service Area versus the rest of the state, where they are exactly right now, but I can get that.

M. CAVANAUGH: OK, I'm-- I'm just curious if-- if there is-- because we know that the contract is clearly costing more than we were initially told, is this a-- is this an area that we can gain some ground or is this an area that's costing us, is kind of what I'm trying to figure out.

STEPHANIE BEASLEY: Are you asking me if progress can be made?

M. CAVANAUGH: Yes.

STEPHANIE BEASLEY: Yes.

M. CAVANAUGH: OK.

STEPHANIE BEASLEY: Yes, Senator.

M. CAVANAUGH: Thank you.

ARCH: Senator Williams.

WILLIAMS: Thank you, Chairman Arch, and thank both of you for this report and for being here. And-- and I think it's really easy to spend this time trying to do an autopsy on what's happened. I'm much more interested in where we're going than where we've been at this point. How many years-- I think I know this, but how many years are left on the current contract?

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DANNETTE R. SMITH: On the current contract, Senator Williams, if we just went with just the contract, the way it would be, I think it would be about approximately three years.

WILLIAMS: But as I understand it from your-- your comments today, you're looking at redoing that contract in some form.

DANNETTE R. SMITH: We are.

WILLIAMS: Can you give us some idea about what you're looking at there and how that would transpire?

DANNETTE R. SMITH: So right now, we're in the midst of the negotiations. The contract that they had before was quite detailed in terms of caseload sizes, supervision. I think what we're looking to do in this contract is to make it more detailed, and I don't have all the specifics because we're still working with Saint Francis. But I think what you can count on the department to do is to provide more intensive oversight, not that we haven't, but be more intentional about the ability to achieve some of the goals that are going to be outlined in this emergency contract.

WILLIAMS: Is it contemplated that the term of the contract would be extended beyond what the term of the initial contract would be?

DANNETTE R. SMITH: At this time, we're still evaluating that. I have to be honest. We're still evaluating that. Right now, I can't see it going past the five years. We're trying to stay within that-- the period of the contract term. And again, as I said, Senator--

WILLIAMS: And when you say five years, you mean the initial five years--

DANNETTE R. SMITH: That's right.

WILLIAMS: --not an extended term of--

DANNETTE R. SMITH: That is correct, sir. That is correct. That is correct.

WILLIAMS: I think-- I think one of the things that some of us are-- are certainly concerned with and--

DANNETTE R. SMITH: Yes.

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WILLIAMS: --and not trying to do your job, but recognizing that we've now been in this private concept for quite a few years and there's questions on some people's mind if that's the proper way to do this going forward, privatizing those in the Eastern Service unit where the balance of the state seems to be functioning OK in another way. Taking that, is that going to be taken into consideration in the-- in the-- in the context of contracting? Once we do a new contract, we're locked in then again, at least from our side.

DANNETTE R. SMITH: Yes, I think we are. I would say to you that what I have found Saint Francis be at this point with-- under the new leadership is very transparent and honest about where they are. They recognize that they have some hurdles that we need to achieve, mostly hurdles that they're going to have to be able to show, demonstrate, and produce. I think the department is prepared to provide the level of guidance and direction that's needed to help them achieve those goals. We're going to be persnickety. I'm going to use that word "persnickety" because we have to have guaranteed that what we've contracted with you on, that you can indeed meet that deliverable. So it is going to be extremely detailed, extremely intensive, always looking for success because if the private vendor is successful in meeting those objectives, then the care of our children is first and foremost. That means that children and families will get taken care of and that is our priority. So all of the accountabilities are making sure that children and families in the eastern part of the state are taken care of, and we will not relax on that.

WILLIAMS: And my-- my final question along-- and thank you for that, because that's why we're all here--

DANNETTE R. SMITH: That is correct.

WILLIAMS: --is taking care of these kids. My final question for you, and then the-- the Saint Francis people that will come up later will, I'm sure, address this also, in that process with the-- the dollars that we're talking and the financial strength or lack of financial strength of-- of Saint Francis, is the department doing the checking to be sure that Saint Francis has the financial strength to not only sign the contract but to carry it out, and has the necessary reserves to make it work?

DANNETTE R. SMITH: We are having those conversations as part of the negotiations. I think we've learned--

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WILLIAMS: I knew you'd be persnickety.

DANNETTE R. SMITH: Yes, I think we've learned a bitter lesson.

WILLIAMS: Thank you.

ARCH: Other questions?

WALZ: [INAUDIBLE]

WILLIAMS: Senator Walz.

WALZ: Thank you, and thanks for being here today. And this is just something I'm curious about. You said when you were, I guess, letting out bids for contracts, that there were only two that came back. Why? Why is that? Why is there only two? Is there just--

DANNETTE R. SMITH: Senator Walz, I don't really know.

WALZ: OK.

DANNETTE R. SMITH: Those were the only two bids that we received. It is my understanding that the procurement process was well advertised, and so people knew. I'm-- I'll be honest with you, I'm not sure.

WALZ: OK, and then you were asked the question, why doesn't DHHS just take this over? And you said the transition time, it would just take many, many months for-- for that to happen. How many months do you think that that would take?

DANNETTE R. SMITH: I think it would take us a bit. Let-- and let me just say this to you. In order to do a good transition, you really have to have the infrastructure in place. And right now, the department doesn't have that. One of the gifts I think that we have right now is that I have a strong child welfare team. And with the new leadership with Saint Francis, I think that we can make this work. In my experience-- and I know Senator Arch knows this, and maybe even you, Senator Walz-- I've been-- I've done-- the majority of my career has been in child welfare, and to do it right, you're talking well over a year to get it correct and to ensure that the transition of kids is appropriate. But the number-one thing that has to be in place for the state, because we won't get a pass if something happens to a child, I've got to have the right leadership in place to be able to do it in a way to keep kids and families safe, to make sure I have the financial infrastructure, I have the data infrastructure. All of those

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things have to be in place for us to be able to take it over. We are not there--

WALZ: Yeah.

DANNETTE R. SMITH: --and it would be premature.

WALZ: Yeah, I agree. It does take time. Saint Francis had four months, from October 19 to some-- January 20, to have their plan in place. Do you think that was enough time for them?

DANNETTE R. SMITH: Well, I will tell you that we worked diligently and I was personally involved, and so some of those reports, Senator Walz, were-- those were reports that I led with the Saint Francis team. We were meeting weekly to make sure that every "i" was dotted, every "t" was crossed. And I want to talk detail about what that-- what that every "i" dotted, every "t" crossed look like. We were reconciling back between the cases that PromiseShip had, the cases that Saint Francis would be receiving, and making sure that there was a case staffing for every child that came over and that we understood the child-- the needs of the child when they left PromiseShip going over to Saint Francis. So there was an account to me about cases being transferred, but at the same time cases were being transferred, I was looking at the staffing pattern, as well, with the Saint Francis team. So there was a lot of work that was going on daily, and then there was a week-- weekly report to me on Fridays--

WALZ: OK.

DANNETTE R. SMITH: Very intense to do it right, very intense.

WALZ: Yeah, I-- I would agree that it was probably very intense, so I-- I'm just trying to, you know, understand--

DANNETTE R. SMITH: [INAUDIBLE]

WALZ: --four months, was that enough time, and if we look back, you know, should it have been more of an extended time period to make sure that transition went?

DANNETTE R. SMITH: Well, I think that we approached it for the case-- caseload processing. That's what I'm speaking about in particular from that October-to-January timeframe. I think we did OK with that. But remember, once they were awarded the contract, we started early on

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with them about looking at finances and everything. So we didn't wait until October. October was just the time for the case transfer.

WALZ: OK. I have a couple more questions if you want me to keep going or--

ARCH: Please.

WALZ: OK. You talked a little bit about-- let me find it-- the-- the oversight team that you put into place. Are-- I think there's like six or seven people who were on that oversight team. Are those new posi-- new positions--

STEPHANIE BEASLEY: No.

WALZ: --created?

STEPHANIE BEASLEY: No.

WALZ: OK.

STEPHANIE BEASLEY: Lori Harder's position was new.

WALZ: OK.

STEPHANIE BEASLEY: I added her to that team to provide that high level of oversight and real coordination between the initial intake assessment team and then that transition of cases. She had a great deal of-- she's worked in DHHS and for the state for a lot of time. She's worked at Medicaid and Developmental Disabilities, so she has a pretty-- she's got a lot of depth to her knowledge. And so she was the new member of the team that we added in July to really ensure that we were clear about what were the transition woes and how do we expedite getting past those and set up the-- the right partnership and infrastructure and collaboration.

WALZ: OK, and I just have one more little programmatic question, I guess, programmatic. Is there a time that Saint Francis is required to-- with the CAPS that you have, there's five CAPS left. Once you-- once you-- I don't know what the word is-- determine--

STEPHANIE BEASLEY: Issue?

WALZ: --an issue, then is there a time period for them to have that completed?

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STEPHANIE BEASLEY: Not a specific time frame. We would expect to see improvement and progress and we would approve the CAP to ensure that it's reasonable and expedited and meets the level of urgency that this specific issue would require.

WALZ: OK. All right. That's fine. Thank you.

DANNETTE R. SMITH: Thank you.

ARCH: Other questions? I-- just a second, Senator Cavanaugh. I have-- I have one question that I-- that I'd like to ask here. So what is the-- what is the role of federal oversight of-- of this program, meaning are there-- are there penalties, are there performance bonuses, have we been penalized, are we in danger of being penalized, those-- just the general review of federal oversight.

STEPHANIE BEASLEY: So federal oversight in child welfare is-- is really clear and very structured. So in 2017, Nebraska had their Child and Family Services review. The things that they're looking for in a CFS are-- really are around safety, permanency, and well-being. And they're also looking for system infrastructure to ensure that you can meet that end. We had to undergo, and this is not unique to Nebraska, most states do, all states do, a program improvement plan. So we have very specific measures of improvement and that our federal partners, they monitor-- Children's Bureau monitors us. We-- we meet with them again on Monday. We report quarterly to them. They review our cases. They review our data. It's a pretty intensive effort. ESA obviously is a big piece of that because they're a big piece of what we do and they have lots of kids and families that they care for. So we publish our rounds around recurrence of maltreatment, all of the measures that they're looking for from placement, stability to the rate of reunification, the-- the permanency of reunification, our kids coming back into the system. So we publish that. We share that with Saint Francis. We are working on shared program improvements because we have program improvement needs across the board. I don't think we're-- no system is a perfect system and we'll always look for opportunity to improve. Our goal is to be released, obviously, from that program improvement plan and-- and really to have that concerted effort to do that. We have Saint Francis Ministries at the table with us. They're key to that because their performance impacts our performance.

ARCH: Right. So are-- are we in danger of-- of federal penalties or not achieving bonus perfor-- performance bonuses? How-- how-- how do you evaluate that?

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STEPHANIE BEASLEY: If we didn't meet our measures, we would be at risk for penalties at that point. We actually have until June 30. We've been released from several measures of the PIP. We still as a state are working on some, like permanency, really focused on making sure that kids are-- that-- that kids are getting reunified or to their permanent goal as quickly as possible. And oftentimes we see kids who are-- who've been in the system for longer periods of time. Their rates of permanency are-- are lagging a bit, so we're very focused on some of our strategies on those-- that area. If we didn't hit our PIP, we would be penalized. I'm confident the team is-- is focused on this. We meet very regularly with our CQI department, who leads that effort, and our strategies are good. I-- I always am-- I never count my chickens before they hatch. Is that a fair-- but I'm-- I'm confident about the direction we're heading and feel like we've made great progress.

ARCH: And these are-- these are blended, in other words, for the entire state, not just Eastern Service?

STEPHANIE BEASLEY: Right, correct.

ARCH: They're-- it's the entire state that you're responsible for that you are-- that you are reporting.

STEPHANIE BEASLEY: Yes, Senator.

ARCH: OK, thank you. Senator Cavanaugh.

STEPHANIE BEASLEY: We can break--

ARCH: Oh, I'm sorry

STEPHANIE BEASLEY: I was going to say we can break that data out, but when we report it to the federal side--

ARCH: Right.

STEPHANIE BEASLEY: --it is--

ARCH: Right.

STEPHANIE BEASLEY: --it's all combined.

ARCH: OK, thank you. Senator Cavanaugh.

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M. CAVANAUGH: Thank you. CEO Smith, I wanted to go back to your testimony and some comments that you made. You talked about, what did you miss, and-- and you stated pretty emphatically several times that you didn't know that they couldn't contractually meet this with the financial ticket price prior to signing the contract. You've even included in here the letter from Tom Blythe where he says that they need \$15 million more, and that was dated on June 24.

DANNETTE R. SMITH: So we-- what-- what I-- we did not know. I think there was a lot of questions, but with-- in a conversation with Tom Blythe, he said that they could meet the requirements of the contract. At that time, Tom Blythe and Senator-- and Father Bobby were asked multiple times, could they meet the letter of the contract, and they told us, yes, they could.

M. CAVANAUGH: But the documentation that you provided us clearly states that they are asking for \$15 million more.

DANNETTE R. SMITH: In a con-- in a conversation with our contract-- with our contracts unit, they indicated that they could meet the terms of the contract. I think that the--

M. CAVANAUGH: But they-- they-- what I'm saying is they clearly--

DANNETTE R. SMITH: I'll have to look at that letter.

M. CAVANAUGH: They clearly informed DHHS that they could not-- I mean, it's very clear-- and that-- there's an email exchange between Tom Blythe and Bo Botelho--

DANNETTE R. SMITH: OK.

M. CAVANAUGH: --about this.

DANNETTE R. SMITH: And I'll take a look at that letter. Which tab is that? I'm sorry.

M. CAVANAUGH: It's tab 1. It's when they were given the opportunity to revise their bid and they said that they would-- it would increase their cost by \$15 million.

DANNETTE R. SMITH: But I know that there was also a conversation with them that talked about we would not be able to do that, that we went with their RFP then and that's what we would be going with. And I'll probably have to find that document.

M. CAVANAUGH: But their RFP bid had larger case ratios.

DANNETTE R. SMITH: Excuse me?

M. CAVANAUGH: Their RFP bid had larger case ratios.

DANNETTE R. SMITH: But we made it clear that they had to stay within the statutory case--

M. CAVANAUGH: But isn't that a red flag? It's a--

DANNETTE R. SMITH: Not if they say that they can do the work based on what they bid.

M. CAVANAUGH: How-- how could you possibly think that another child welfare entity could come into the state and do the work at such a significantly reduced amount when their bid had higher case ratios and they told you more?

DANNETTE R. SMITH: Again, Senator--

M. CAVANAUGH: What-- what did they tell you--

DANNETTE R. SMITH: Again, Senator Cavanaugh, we went with what they told us and what they told us was they--

M. CAVANAUGH: Well, that shows a lack of judgment on your part as-- I mean, that is-- you-- you're saying like that this is-- this is galling. This is galling and this is negligent. And you're saying you didn't know, but you did know. You just chose not to do anything about it.

DANNETTE R. SMITH: Senator Cavanaugh, I want to be as respectful as possible--

M. CAVANAUGH: Then don't lie.

DANNETTE R. SMITH: --to the questions that you're asking me.

M. CAVANAUGH: Then don't lie. You knew it was going to cost more money and you knew about the troubles.

ARCH: Senator, do you have-- do you have other questions that you'd like to ask?

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M. CAVANAUGH: I do, actually. You-- there are numerous articles that DHHS pulled before signing the contract that talked about the problems that Saint Francis had, numerous, hundreds of pages, and still you signed the contract.

DANNETTE R. SMITH: There weren't numerous articles, not that I had-- we did our--

M. CAVANAUGH: I would reference--

DANNETTE R. SMITH: --a search.

M. CAVANAUGH: I would-- I would reference you to the depositions and the materials from the PromiseShip lawsuit.

DANNETTE R. SMITH: OK.

M. CAVANAUGH: It is very clear that someone within your agency, at the very least Bo Botelho and Matt Wallen knew that they couldn't deliver this contract for this amount and that they had significant problems.

DANNETTE R. SMITH: I think I said early on in my testimony that I took an opportunity to look at things. Perhaps we could have done some things differently.

M. CAVANAUGH: Perhaps?

DANNETTE R. SMITH: I know--

M. CAVANAUGH: Is "perhaps" really the word you want to use here? In retrospect, is there any responsibility being taken by you or--

DANNETTE R. SMITH: Absolutely. Absolutely.

M. CAVANAUGH: I'm not hearing it. CEO Smith--

DANNETTE R. SMITH: Well--

M. CAVANAUGH: --I'm not hearing you taking responsibility for this.

DANNETTE R. SMITH: Senator Cavanaugh. with all due respect, I'm trying very hard to answer your questions and to be as transparent and as honest with you as I possibly can. As the CEO of this agency, believe it or not, I take responsibility for the good and the bad of the contract and all that we've gone through in the last year, all the way to the point of having to be almost a supervisor in managing this

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contract. Now I'm not going to say to you that we've done everything perfect. But what you have heard me say to you today, and I have said it re-- a couple of times, that we take responsibility for those things that have happened. We are working with Saint Francis in the best interest of children and families. We are doing what we need to do to get them, get this contract back where it needs to be. Could we have done something different? Perhaps we could. In my testimony I gave you three areas where I said what we could have done. So that is my way of taking responsibility for what has happened, for what hasn't happened, and an opportunity to move forward. Now I'm going to go back to the \$15 million. As I said to you, yes, there was a request, but during the negotiations it was asked of Saint Francis by our procurement team, could they do the contract? They assured us that they could. The problem that we have and that I did not foresee, for which I'm being my own Monday morning quarterback, is that I was dealing with some executives who weren't quite as honest as perhaps they should have been. Could I have taken a closer look? Absolutely, but I had to follow the state procurements process, and that's exactly what I did.

M. CAVANAUGH: Are you aware that during the procurement process one of the people that was scoring Saint Francis asked if they should do an Internet search of Saint Francis and they were directed not to do that?

DANNETTE R. SMITH: There was an Internet search done, Senator.

M. CAVANAUGH: There was after the-- after the procurement process. During the procurement process the--

DANNETTE R. SMITH: [INAUDIBLE]

M. CAVANAUGH: Have you looked at any of the materials--

DANNETTE R. SMITH: I have.

M. CAVANAUGH: --around the lawsuit?

DANNETTE R. SMITH: I have.

M. CAVANAUGH: This is all in that lawsuit.

DANNETTE R. SMITH: Yes. Thank you for letting me know. I'll go back and review it.

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ARCH: Thank you. I-- I have an addition-- I have an additional question and-- and that is that you-- you're now talking about bidding-- or, excuse me, you're not talking about starting a new contract with Saint Francis, opening a new contract. Do you-- do you need to bid that? By-- by-- by regulation, do you need to bid that? Are you free to-- are you free to open negotiations on a new contract versus an amendment? This is probably a technical question, but my-- my question.

DANNETTE R. SMITH: So I believe that I have the right to do an emergency contract and not an amendment. That's what our legal staff have asked us to do because we're trying to make up for some of the deliverables. And I'm also going to let Stephanie speak to it, too, because she probably knows it better than I. We want to get to some of those new deliverables and the money that they're going to need. Is that correct?

ARCH: OK.

STEPHANIE BEASLEY: It is because of the do-not-exceed--

DANNETTE R. SMITH: Amount.

STEPHANIE BEASLEY: --amount.

ARCH: OK.

STEPHANIE BEASLEY: It is my understanding-- I'm not an attorney, but it is my understanding that an emergency contract would be necessary.

ARCH: All right, an-- as an emergency contract.

DANNETTE R. SMITH: Yes.

ARCH: OK. OK, in light-- in light of time, I would say this, and I think that you and I have had this discussion, that I-- I would anticipate that we will have more questions--

DANNETTE R. SMITH: Absolutely.

ARCH: --that we will-- that we will submit to you in writing following-- following this briefing, and appreciate you being willing to respond to those, as well, as-- as expeditiously as possible.

DANNETTE R. SMITH: We will. Thank you, Senator.

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ARCH: OK, I would like to take a ten-minute break for the briefing and then so we will reconvene at approximately five after 3:00.

[BREAK]

ARCH: Mr. Clark, thank you for coming today, and we look forward to your testimony.

WILLIAM CLARK: Sir, good afternoon. Chairman Arch, members of the committee, my name is William Clark, W-i-l-l-i-a-m C-l-a-r-k, and I currently serve as the interim president and CEO of Saint Francis Ministries. I truly appreciate you allowing me to be here today. And I'd be remiss if I didn't thank you for la-- la-- require me to be here last week in the midst of the storm and moving it to this for us. We appreciate the travel consideration to come up here. You know, as I begin to today, I'd like the community to know that Saint Francis is fully committed to the work in Nebraska. We value our relationship that we have, and we see ourselves in partnership with the state to meet the needs of the children that we all desire to serve. The work in Nebraska is highly regarded to us at Saint Francis. What is most important ultimately to Saint Francis, as it is to the state of Nebraska, is taking care of the children. I'm here today for a few things. Number one, I'm to-- I'm here to acknowledge the mistakes made by Saint Francis, and I'll go through some of those. As part of that, though, I'd also be remiss if I didn't take the opportunity to publicly thank CEO Smith and her team during this time for their partnership, their willingness to work with us, to help us move forward to take care of the children in the Eastern Service Area. Number two, I'm here to explain what happened, as it's tied to whistleblower events. I think the committee has the right to know what those were tied to and what they comprised of. Number three, I'm here to review the financial and operational situation of Saint Francis, what we have done based upon what's transpired, what we are doing, and where we're going. And finally, Mr. Matt Stephens, the vice president of programs, will follow behind me. He will come up to review the program performance and our way forward tied to some initiatives that we have. There's been a packet placed in front of each of you at this point. On the left hand side is a synopsis of the services that Saint Francis provides within the state of Nebraska. Besides the Eastern Service Area, Saint Francis also conducts services in Grand Island, North Platte, and Scottsbluff. On the right-hand side is a set of slides that I'll be going through today with you to talk about what I just mentioned a moment ago. So with that-- and the slides are numbered at the bottom, and so I'll refer to a slide number as I go

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forward. So if you'd please be kind enough to turn to slide number 2, which is really the first slide past the introductory slide, there were two distinct whistleblower events within Saint Francis. Number one, as CEO Smith referred to, was sent anonymously to the state of Kansas in November of 2019. Whistleblower event number one alluded to such things as financial data loss. Saint Francis did have a server crash in October of 2019. It referenced a line of credit and cash-flow challenges in reference to receipt of a private loan to help stabilize the organization. It mentioned the Cubs tickets that have been mentioned in the newspaper, issues with IT and payments to an IT vendor, and it also referenced ex-- expansion concerns tied to the state of Nebraska and the state of Texas. Currently, at this time, the Department of Children and Families within the state of Kansas is still investigating "whistleblower number one" report, as we call it. We expect the results of that to be available in the very near term. Whistleblower number one was never given to the board of directors of Saint Francis Ministries. They did not have any knowledge of it. Whistleblower two was given to the board of directors of Saint Francis in October of 2020. It was an internal report given to the board. As soon as the board became aware of whistleblower number two, they took some very decisive, immediate actions. Number one, they heard an outside attorney to investigate the allegations within whistleblower number two. Number two, they immediately suspended the president, CEO, the COO, and the general counsel without pay. And number three, they appointed me as the interim president and CEO. Whistleblower number two is really around four significant pieces: (1) financial mismanagement or neglect of the organization; (2) improper use of company credit cards; (3) failure to provide Saint Francis' true financial position to the board of directors; and finally, an improper payment of \$11 million to an organization called WMK Inc., which is the company tied to the IT vendor that Saint Francis uses. All of those allegations were investigated and all four were substantiated, which resulted in the permanent release of the president, CEO, the COO, and the general counsel. That's really tied to the top bullet you see there on slide number 2. That investigation, from the time that it started until the time it com-- was completed, took about 20 days. During the investigation it was also determined that Saint Francis was facing immediate financial unrest and adjustments had to be made immediately. And I'll walk through the bullets you see there on your slide. This includes the contract tied to the Eastern Service Area in Nebraska in which Saint Francis was projecting to lose a little over \$25 million per year, as CEO Smith alluded to, which includes the current fiscal year. Additionally, Saint Francis is responsible for a

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little over \$10 million worth of program reinvestment into state-approved programs for the state of Kansas. What I mean by that is Kansas had overpaid Saint Francis by a little over \$10 million, and Saint Francis was responsible for taking those funds and reinvest-- reinvesting them into new initiatives within the state of Kansas. The fourth bullet you see there-- excuse me, the fifth bullet is tied to a line of credit. Saint Francis normally operates off a standing line of credit with financial-- financial institution. What I mean by that, based upon the way the revenue comes into the organization and expenditures, how they go out, Saint Francis required a line of credit from a bank to make payments in a timely manner, with the expectations that you would utilize the line of credit and then as your revenue came in from your state partners, that you would pay down your line of credit back to zero each month. In the near term, though, Saint Francis had begun to operate permanently from the line of credit. So in other words, instead of getting to zero every month, it started creeping higher and higher up towards the maximum amount of the line, which was \$10 million. Also of note, in the March-April timeframe of last year, 2020, Saint Francis received a \$10 million payment protection loan, a PPP loan, from the federal government. All that paints, hopefully, for you the situation at Saint Francis as all of these events unfolded and what the organization was facing. Slide number 3, if you'd be so kind, please. Slide number 3 really refers to what I call the five major buckets that Saint Francis had to address. And I'll walk you through each of these as we go forward. Bucket number one, which is probably the most important to resolve, tied to-- was tied to the excess financial challenge tied to the contract here in question with the state of Nebraska tied to the Eastern Service Area. As CEO Smith mentioned, we are currently working through negotiations with DHHS regarding the way forward, both financially and programmatically, with this-- with this contract. This includes working to solve the \$10 million of losses that Saint Francis sustained last fiscal year, or fiscal year '20. There are several contributing factors to the challenge with the contract from a financial perspective. And I'll say this twice, just so I'm not misunderstood. Saint Francis failed to build-- to bid the contract properly. Saint Francis takes responsibility for not accurately providing a bid to the state of Nebraska for what it cost to provide the services that were expected. Also, as mentioned earlier in both testimony and the question, is the expectation of case ratio sizes. Saint Francis traditionally operates on a 1:25 ratio based upon a dyad model, which is not the standard or the expectation by statute in the state of Nebraska, and that is how Saint Francis did the contract. And

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so you look at the funding challenges. As I mentioned, there was a \$10 million loss from the first year of the contract in fiscal year '20. There was a projected \$25 million loss this year and for the out-years going forward. So if you'd please turn to slide number 4, there's some graphs here that paint the picture of what I'm trying to explain. As CEO Smith alluded to, there's funds that were allocated towards the Saint Francis contract. This is for fiscal year '20. And you can see that those funds were basically put in a piggybank that Saint Francis would draw down based upon the expenses throughout the fiscal year. And you can see when we got to May of 2020, number went from being a positive into a negative. At that point, Saint Francis was funding operations within the Eastern Service Area of its own account. There was no funds available for Saint Francis to draw at that point, starting in May of 2020 for the remainder of the fiscal year, in which you can see by the end of the fiscal year, June of 2020, that number was over \$10 million. That \$10 million that I'm referring to tied directly back to the overpayment from the state of Kansas. That's how Saint Francis was able to make up that difference. On slide number 5, this shows you where we currently sit for this fiscal year and what the out-years currently look like. Once again, on the far left-hand side, at the very top, there's that piggybank amount of about \$41 million that's set aside for Saint Francis to fulfill the contract in fiscal year '21. You can see the bar charts on top. They start to draw down, showing amount of funds that Saint Francis has been receiving for executing the contract. But starting next month, you can see it turns from a positive side to a negative side once again. So starting in February of 2021, Saint Francis will begin to lose funding or funds tied to operating the contract to the point where at the end of the fiscal year, June 30, 2021, the expectation is about \$25.3 million Saint Francis will have lost tied to completing the contract within Nebraska. Slide number 6 really represents what CEO Smith was alluding to when it comes to renegotiating the contract, or re-- renegotiating the contract so there is enough funding available, so there's always funds for Saint Francis to draw to meet the proper expenses to complete the contract within the state of Nebraska. As CEO Smith alluded to, those negotiations have been ongoing. I've been part of three sessions this week tied to that and they will continue into next week. So I'll go back to of the five buckets, the number-one bucket that Saint Francis needs to work with the-- in this case, the state of Nebraska to resolve, is the funding in the Eastern Service Area. You turn to slide number 7, it goes back to the buckets at hand. Bucket number two has to do with the state of Kansas. That's that \$10 million overpayment or the amount of money that we're responsible for, for

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reinvesting back into programs within the state of Kansas. We have currently built a tentative plan on how we're going to do that. Some of those are pilot programs. We're meeting with the state of Kansas to get their approval, that they agree that these programs meet their intent, and then we will begin delivering that. If we can resolve the piece with the Kan-- with the Nebraska contract for last year's monies that Saint Francis had to spend to pay for operations in Nebraska, that is where that money will come from. That \$10 million will be set aside into a separate account and will be drawn upon to execute the programs with the state of Kansas. Bucket number three is the line of credit. As I mentioned, Saint Francis had a \$10 million line of credit that they routinely use. Unfortunately, we began to operate from the line of credit, versus using it what it was intended for. To complicate that just a bit more is that line of credit was set to expire on the 31st of January of this year, and what was left in that line Saint Francis would have to repay. We have worked with a financial institution who has agreed to extend that line to June 30. We've also worked with two other financial institutions going beyond that. So at this point, I'm confident that we have solved the line-of-credit challenge, and I'll talk to you in just a moment about how we're coming off the line to operate properly. Bucket number four is tied to the PPP loan, or the payment protection loan. This one has the most time to adjust, and part of that is because we do not know if we have to repay that loan yet. We're working with an outside audit agency, as well as attorneys, to determine whether that can meet-- we can seek forgiveness from a grant perspective or if we do need to repay that, if we do need to repay the \$10 million PPP loan, or is the tenure, the length in which we can repay it, over time versus one payment? I don't have a definitive answer at this point in time for the committee on what the PPP loan looks like. Just last week we met with the auditing team and the attorney again on this topic and we're going to continue to work on that one. That brings us to-- to bucket number five, operational expenses. Simply put, Saint Francis, its expenses were exceeding its revenue in all-- in all facets. And so what I'm going to walk the committee through is what we've put in place to change that paradigm, and I have a few slides to talk through that. So if you'd be kind enough to turn with me to slide number 8, please. As CEO Smith mentioned, when I became the interim president and CEO, I immediately formed a new leadership team. That leadership team has been meeting-- let me back up. In November and December, we met daily. Starting in January, we've been able to reduce the frequency so we can focus more on operations. But as part of our initial meeting sessions, we really needed to chart out what the

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strategic way forward for the organization when the chart you see in front of you explains that, what we've determined is that really for the rest of this fiscal year, next fiscal year, Saint Francis is what I call in a stabilization mode to make sure that our expenses do not exceed our revenue, that we get to a cash-neutral position, that we're not looking to expand, that we have the right programs in place. And so for the next 18 months, we're really focused on stabilization. Phase two, which is two years after that, fiscal years '23 and '24, it's really about internal development. One of the things that we've learned in Saint Francis is Saint Francis grew too quickly. We took on two major contracts at the exact same time. We did not have the proper infrastructure to set the conditions for success. We need to go back and look at our own infrastructure, make sure we're reinvesting in that. Think of that from an IT perspective, facility, perspective, vehicles and so forth. We need to take some time to do that. Once that's completed, that gives us the opportunity at that point then for what I call moderated growth. You cannot grow at such a rate that you outgrow your own capabilities. And so we have a five-year strategic plan of where we want to go from a timing perspective and what those look like at this point. That was step one. We looked at expenses versus revenue. Step two, which is slide number 9, is we-- we took a step back to really look at where are the core services that Saint Francis provides, and there's three of: them residential services, and we operate out-of-home services and prevention. We have three significant state contracts, Nebraska being one of them, Kansas and Texas. We also operate in Arkansas, Oklahoma, and Mississippi. But the three major contracts are those three states I mentioned at the beginning. These are the core services that we provide. And so we looked at how do you make sure that your expenses, along with your revenue-- we wanted to make sure that we protect these core services. This is what we do and Saint Francis does this well. So we need to make sure that whatever adjustments we made, whatever we divest ourselves of, did not impact our ability to deliver the core services that, in this case, the state of Nebraska expects us to deliver. So we looked at strategically where we needed to go from a timing mechanism. We made sure we could define what our core service pillars were so we could protect those. Slide number 10, please, the next slide. And so we built a model which we call internally the CRC model: consolidate, reorganize, and communicate. And so I've brought before the committee today really a couple of slides explaining what we're doing inside that model to hopefully articulate and show how we are getting our expenses lined up with our revenue. So from a consolidation perspective, we look to eliminate or reduce programs and expenses that

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were not tied to those core services. We were about decreasing our expenses, increasing cash flow, and improving the overall financial position organization. If you were to go back and look at the cash flow projection for Saint Francis, the point that I was asked to step in as the interim president and CEO to the rest of this fiscal year, by the end of the fiscal year, we were upside-down significantly to the tune of probably about \$40 million. Twenty-five of that, as I mentioned, is tied to Nebraska contract. Ten of that is because of what we owe to the state of Kansas tied to programs they expect of us. And then we had the challenge I'm about to walk you through, expenses to revenue. We were exceeding our revenue, our-- our ability across the board. So we built seven distinct buckets to work from. And I'll walk you briefly through those. First are the new programs. At the moment I was asked to step in as the president and CEO, Saint Francis was still looking to expand. They were looking to go in other states such as Kentucky and Illinois. We have ceased those. All other opportunities outside of where we partner right now, in those six states that I mentioned, we've removed those at this point time. We've called all those potential partners and notified them that we will no longer be looking for new work. Additionally, if we were looking at new programs internally, we've put those on pause. From a facility perspective, we've started consolidating select locations, and what I mean by that is those are predominantly in the state of Kansas. We have not changed any facility structures in the state of Nebraska. But, for example, there were some cities in the state of Kansas in which we had multiple sites that just weren't required, and by bringing them together we can reduce costs. We also had several properties that Saint Francis owned that were not tied to providing the core services that I mentioned previously, and we've begun liquidating those. That way, we don't have to pay the maintenance costs and so forth. It's also about cash flow. Additionally, as you look at future expansion in business that include future expansion and new facilities, all that has been stopped, as well, at this point. From an operations perspective, there were programs that were operating within the red, or from a negative perspective, within Saint Francis. A couple examples for the committee is we, Saint Francis had expanded into Central America. We were operating in-- in three countries. There was no revenue streams tied to that. We have divested ourselves of those operations in Central America at this point. Additionally, we-- we had built a foundation for philanthropic opportunities. The foundation was actually spending more money than it was bringing in, and so we've significantly reduced the foundation, once again, programs not tethered to the core service pillars that we

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deliver. We've put new spending controls in tied to credit cards. As I mentioned, within whistleblower number two, that was one of the significant concerns. We've put new spending controls in tied to how we use credit cards. We've also taken a look at contracting usage, and what I mean by that is Saint Francis had partnered with numerous contractors on the outside, about-- a little over 30-- I think it was 32 to be exact-- and some of those, once again, were not tied to our core services. And so we have divested ourselves of those services going forward. We've begun relook-- relooking current programs. That includes the Omaha contract, really, from how we are structured inside. We are continuing to refine, to make sure we have the right structure within the ESA contract to deliver the programs that we need to deliver to take care of the children in the Eastern Service Area. We're doing the same thing within Kansas, which is also tied to the overpayment challenge. And from a behavioral health perspective, we operate residential facilities which require behavioral health services, but we were attempting to do that more from a for-profit perspective, as well, that we're not providing the correct amount of revenue. So we went back to, once again, what do we do, what do we do well, and stick with that. From a human resources perspective, we did have layoffs. None of the layoffs were tied to the state of Nebraska. In December and January, we've had to lay off approximately 50 people. Those were tied to some of those programs that were operating in the red, administrative- type positions. We did not lay off any individuals who were tied to those core service pillars or areas that I mentioned previously. Additionally, there were some what we called extra benefits that were nice to have that we could put on pause temporarily. An example, Saint Francis has a-- a very good 401(k) plan, but there was an enhanced match that really were-- you think director and above, your more senior staff people [INAUDIBLE] we put that on pause temporarily going forward. We had a tuition reimbursement program. We've put that on pause. So some of those pieces like that, we have paused until we make sure that our revenue is at least equal to where our expenses are. From a technology perspective, tied back to both of the whistleblower events, there's still the current challenge with WMK Inc. as the contractor Saint Francis has used for a substantial period of time now. We have a plan in place in which we're bringing those services back in-house to include the employees. It will take us until June 30 of this current year to complete that. At that point, all IT services will be in-house. We have to reinforce our IT backbone. As I mentioned, we did have a server crash in which we lost the financial data. That rebuild will be completed at the end of this month. From a transportation

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perspective, we've also started to remove from our inventory old excess vehicles, vehicles that have 300,000 miles on them. For example, we put a new program in place in which we can track every vehicle, the miles that's being driven and the frequency, and so we can redistribute vehicles across the entire organization, so those that are not being used we can remove and no longer have to pay for. So from a consolidation perspective, those are the efforts. From a reorganization perspective, which is slide number 11, we took a look at how do we realign the corporate structure to make sure we have proper oversight to synchronize operations. And so I'll walk you through those buckets. I'm going to start in the middle. As I mentioned, the previous slide, there was some contractor reduction. Saint Francis was using a significant number of outside consultants for some of the activities you see there that were not tied to our core service areas. We had excess legal consultants. COE, Center of Excellence, is a theory-based concept that was being developed for future use, but it's not tied to delivering a core service. We have stopped that. When you look at the diversity within Saint Francis, the demographic that we serve, our diversity numbers are fairly closely aligned. There was an external project, and it just started, that we have put on pause temporarily. That does not mean we're walking away from diversity. We just put the outside consultant on pause. From a financial consultant, over the past two years, Saint Francis has really operated from an interim CFO position. They've-- they hired an outside consultant to serve as the CFO until September of this past year, and I mentioned the IT outsourcing, and so all those different contractor relationships have been dissolved. On top of that, we have realigned our corporate headquarters. One of the things that we noticed when we started looking at ourselves is we did not have a way for if there is issues, such as whistleblower number one or whistleblower number two, for those re-- to be reported up through the organization or, in this case, the president and CEO would have immediate visibility on that, or if it was against the president or CEO, had direct access to the board of governors-- board of directors, excuse me. That has now been put in place. We now have a corporate compliance office that answers directly to me, but if there is an allegation that's tethered to my position, that office has the authority to go right to the board of directors and vice versa. The board of directors can communicate directly back to their corporate compliance, so there's now a mechanism to do that. You turn to slide number 12, and slide number 12 shows you is based upon the consolidation efforts and reorganization efforts, this is what we put in place today. Our efforts are showing that we have reduced

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expenditures by little over \$8.5 million dollars, or about \$720,000 per month. That's tied to the position savings that I mentioned, the vendors that we've divested ourselves of, controls tied to credit card spending, some of those enhanced benefits that I mentioned. When you couple those efforts with the goal of restructuring the contracting Nebraska to include the \$10 million piece from last year's operations to solve the challenge in Kansas, what that has done for us from a cash flow perspective has it's taken us in June of 2021, where we expect expected to be at about a \$40 million negative, to now in June where we're actually on the positive side of zero. We're no longer operating from the max of the line of credit. We're now bringing the line of credit down to where it should be: zero at the end of each month. By solving really those three major challenges, the contract with Nebraska and the state of Kansas and making sure we live within our means, we very quickly get off the line so we can become stable. Slide number 13, please. So I go back to the five buckets. It's been a very easy way for us to define the challenge, make sure that all of them are operating together, because they have to. As you can see, some of them are actually tied together. So it was-- in this case, we are actively renegotiating the contract with the state, with DHHS, which includes last year's payment, deficit, this year's, and then going forward. We've created that reinvestment plan from the state of Kansas to include programmatically and also a plan in place to set aside the \$10 million if we were to receive that from the state of Kansas. We've secured the line of credit, which we need to operate from, and have a plan going forward. And we've implemented \$8.65 million in operational savings. That's just in this fiscal year alone. The piece I do not have resolution on, as I mentioned at the very beginning, is the PPP loan. It's going to take us a little bit more time to work through that, understanding where the new administration at the federal level is going, and so we'll continue to work through that. As I mentioned when I sat down this afternoon, Saint Francis made mistakes. There were clearly errors in judgment by the former administration. We made errors when it came to bidding the contract in the state of Nebraska. The board of directors of Saint Francis, though, has begun changing processes and procedures relating to governance. It instituted a governance committee. They're actively working on that to make sure that this situation does not happen again. And to make sure that there's full transparency, the corporate compliance office was immediately put into place. At this point, based upon where we sit with negotiating with DHHS, the state of Kansas, and the operational adjustments we've-- we've put in place. I'm comfortable that we have stabilized the organization financially. I'm

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also comfortable that we have not impacted services to children and families, those core pillars, those core services that I mentioned. We have a plan in place to make sure that the IT challenge is solved by the end of the current fiscal year. Just this month alone, we began bringing new IT employees into the organization. It will just take us about six months to get them all hired, trained, to make sure that we can remove that risk from Saint Francis. On top of that, when I look from a leadership perspective, Saint Francis could have done a much better job of providing oversight or supervision of the ESA contract. We did not have the right corporate individuals up here in a frequent manner to make sure we were doing programmatically what we should be. Matt Stephens is part of that. He is the new vice president of programs, but under his auspice is I've reduced really his scope to the states of Kansas and Nebraska, versus having the vice president of programs also oversee Texas, Mississippi, Oklahoma, and Arkansas. And so I'm confident that between that and myself, there'll be much more corporate involvement in the contract with the state of Nebraska. Additionally, we're currently completing financial audits. Because of the server crash that we did have, the fiscal year, financial fiscal year '19 audit has not been submitted yet. That goes to the board of directors next Monday night for approval. I went through that with the audit firm before I came up here, and we'll be able to submit that before the end of next week. Since we've now completed the rebuild, or we will complete the rebuild next week, the audit firm can then start the fiscal year '20 audit. And we should have that to the board of directors by the end of June for their approval, which then gets us back onto the right audit path financially. So as the fiscal year ends in June, we can start the fiscal year '21 [INAUDIBLE] the current year audit on schedule, as we should be. I'll go back to where I started with. Saint Francis is committed to working with the state of Nebraska. We believe in the work, the state of Nebraska. We see ourselves in partnership with the state of Nebraska. We value taking care of the children here. From where I sit, though, as the interim president and CEO, I'm focused on moving forward. The partnership that we have is-- is critical to both of us, to taking care of children. As I've talked to my own team, the milk's been spilled. We've cleaned it up. Now we need to make sure it doesn't spill again. With that, I'm going to introduce Mr. Matt Stephens who's going to come up and talk to the committee about the program side. And then when he finishes, I'll be happy to come back up and entertain any questions that the committee may have for me or for Matt. So I appreciate your time and your willingness to allow me to come and talk with you. I'm very

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appreciative that you postponed this a week because of the weather. So thank you.

ARCH: Thank you, Mr. Clark. Thank you for coming today. You can proceed.

MATT STEPHENS: Chairperson Arch, members of the committee, my name is Matt Stephens, M-a-t-t S-t-e-p-h-e-n-s. I currently serve as vice president of program and services for Saint Francis Ministries, with a focus on the ESA. One of the things that we have heard a lot today and that I've really appreciated is that people generally care about the commitment to children and families that we serve. And so if you'll turn to page 15 of the attachment, or the PowerPoint, you'll see what that looks like. And so the services we provide, from a safety perspective, really shows that we are exceeding the goals of no recurrence of sub-- substantiated child maltreatment. And the children in the care of Saint Francis continue to avoid further maltreatment while in care. And so when I think of a well-functioning child welfare organization, service system, it really is about no more harm to those children that we serve. In addition, it's really important that we get children to their permanency in a way that is-- that is beneficial for them. So you'll see on our permanency, number one, we do a really good job of getting the children back home that have been with us for 24 months. We need for children to remain stable in placement. That really helps them become committed to where they're at. And again, we-- we're doing exceptionally well on placement stability. When children are in foster care systems, we don't want for them to be in stranger care. We really want them to be with somebody that they know. And so if-- if you look at number 3, we're doing a really good job as it applies to placement with relative and kin. And then, Senator Arch, you asked earlier about federal oversight and issues. And so one of the indicators that the CFSR gave was really reentry into care, and-- and we are doing exceptionally well with that indicator, as well, which-- which really means that after we work with a family and they go home, that they remain in that permanent setting, that they aren't coming back to us. So moving on to 16, as Bill described and Director Beasley, as well, spoke about, you know, we're having the routine meetings with DHHS. Executive-level meetings are happening twice a week, as are the senior level-- senior leader-level meetings. One of the commitments of Saint Francis is-- now has is to have executive involvement in the ESA on a regular and ongoing basement-- basis. We have issues to address, and-- and they're over there, so caseload size, licensing. We've got to continue to work on our budgeting. Obviously, we've talked about that. Local leadership and structure:

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Saint Francis is committed to continue to evaluate and assess the best ways to children-- to serve children and families in the ESA. We need to continue to improve our action and interaction with the judicial branch and then continue to work on things like turnover, background checks, and the E-Verify forms. So if you go to the next page, on 17, as we broke this down and looked through, obviously, we want to make sure that everybody understands that we know what that statutory requirement is. In addition to that, we've looked at, again, how do we layer our-- our leaders, our supervisors and directors? So we've also looked at that. How we helped to-- how we're going to help with the case ratio is we've created a specialized case management adoption team to really increase efficiencies of getting those children adopted and out of the-- out of the system, into permanency quicker. We've hired an HR recruiting specialist that will focus on hiring and the onboarding process for case managers. We continue to partner with local universities to connect with any case managers, potential employee. We've completed an employee satisfaction survey and we're implementing-- will be implementing specific action steps based on those results. What we need to be developing, and are developing, a more automated way of tracking, monitoring, and visually reporting caseload distribution and caseload compliance, and memorize-- memorialize and codify the rules for caseload standards to be used for case management program process and budget processes. As we heard earlier, it's important that we not only place with kin and relative, but also that those kinship and relative placements become licensed. It shows that those placements are supportive of the-- of the children they're taking care of. It provides them training and techniques to-- to deal with the children in their home, but-- and it also helps from a IV-E eligibility, claimability perspective. And so of the 435 relative and kinship homes, and there's an asterisk here and I'll explain it in a second, 98 of those, or 23 percent, are-- are placed, are actually licensed. That really leaves 337 available to either Saint Francis Ministries or a subcontractor to go and attempt to license those home. I put those asterisks because some of those numbers are-- they're a point in time. They change and fluctuate daily. You know, children come into our care and then we place them. Occasionally, they are-- the-- potentially go back home. So-- so that's why they're-- the asterisk is there. So what are we doing to really help with that? We've revised the tracking, monitoring, and reporting mechanisms for Saint Francis Ministries' home and our subcontractor homes. We continue to collaborate both internally and with DHHS quality assurance, CQI, teams to make sure that we are accurately, timely reporting of the approved licensed homes.

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Practicing extreme recruitment process, and that really provides us an opportunity to continue to engage children and families that are in our care and custody, to make sure that if-- if another family member does become available, that we know about it and we continue to ask them. We're working with DHHS to-- to look for any creative solution there might be to licensing barriers. A lot of our relative and kin families have some reasons or rationales as to why they might not want to become licensed. And so it's really trying to-- to smooth out any of those potential pain points. Again, we-- we're beginning exploration with DHHS of creative ways to support potential caregivers in complying with the required health checks. Again, that's one of the things that's required for licensing, is that those families go get really a physical to make sure that they're healthy enough to do that. Some of our families don't have doctors and medical insurance, so really it's working through those issues. And as a case management provider, it's almost to try to figure out what those-- what the best resources are for them. Again, looking and exploring with DHHS, is there any way to expedite the-- the fingerprint background checks that are required, and then again developing and reviewing needs for resource and staff to provide quality kinship service delivery. I ultimately feel like that is the work that matters, making sure that kids are safe, making sure that they're placed with families who are prepared, ready, able, and willing to support the children that they-- they now, as we continue, until they reach permanency. So with that, I will invite William Clark back up here and we will take questions.

ARCH: Thank you for your testimony today. And at this time, I'd like to open it up to questions from senators. Questions? Senator Murman.

MURMAN: Yes, thank you, Senator Arch, and thank you for-- you guys for coming in today. I assume one of the quickest ways to cut costs would be cut-- a change of the ratio of the caseloads. I think you mentioned to get children in foster care adopted sooner. Is-- and-- and if that's the case, I mean, from the parameters of how well you're doing, it looks like-- appears that you're doing pretty well on most of the parameters or all of the parameters. Is-- would that be the quickest or the best way to cut costs or one of the quickest way to cut costs?

MATT STEPHENS: So-- so, Senator, I definitely appreciate the question. No, obviously, staffing is important in the state of Nebraska. Everybody in this room knows very well it's statutorily required to carry that 17 and under for out-of-home cases. And so we-- we don't have that as an option, nor do I necessarily think we would want to exercise it. The reality is, the-- the reason why you have those lower

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caseloads, again, is so you can provide more quality services. And what we want to do is be not only, I think, again, cost effective, but also a quality leader. And so when I think through the ability to have a specialized adoption unit, adoption's kind of its own, interesting beast, if you will. There's a lot of different nuances. And so if you have a specialized unit that does it, they can move some of that paperwork and the administrative work quicker than if it was just kind of jumbled in a group of other cases. So I think really it's more about helping our kids get to permanency quicker than it would be about trying to cut cost. With that being said, as well, kind of going back to some of the other points that were made, we're not in a position to cut people that are out doing the work. You know, the-- it's really difficult work. And in fact, we-- we continue to hire every-- not-- not every-- I shouldn't say it like that. Every qualified person that comes to us, you know, we want them to come work for us. We want for that person to come and experience child welfare with us. It's a very difficult job. It's demanding. I practiced for several years, and so I know the-- the toll that it takes on people. So to answer your question, in general, yes, our biggest cost bucket is going to be salaries. And so the-- the knee-jerk reaction might be to look there. But the reality is we're just not in a position to continue to provide quality services if we cut those positions and try to meet the contractual and statutory requirement of the 1:17 ratio.

MURMAN: Thank you. I think you partially answered my second question. You said you-- you cut 50 jobs in Nebraska, I think. Is that--

MATT STEPHENS: Yeah. So we cut 50--

MURMAN: I'm not sure when that was but--

MATT STEPHENS: Yeah, yeah. So we got 50 jobs organizationwide--

MURMAN: OK.

MATT STEPHENS: --and none of them were in Nebraska, so zero.

MURMAN: Oh.

MATT STEPHENS: And so most of them were based obviously in our other locations, so--

WILLIAM CLARK: Kansas, Central America--

MATT STEPHENS: Right.

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MURMAN: OK.

WILLIAM CLARK: --those places that those programs were operating in the red, but they didn't come from the state of Nebraska, nor did they touch program services.

MURMAN: OK, thank you. So-- so you answered my question. I-- if you're going to improve your caseloads in Nebraska, I didn't understand why 50 jobs were cut.

MATT STEPHENS: Right.

MURMAN: But they weren't in Nebraska.

MATT STEPHENS: Right.

MURMAN: Thank you.

ARCH: Other questions from the senators? Senator Cavanaugh.

M. CAVANAUGH: Thank you. Thank you both for being here. Mr. Clark, thank you so much for your presentation and taking us through that. I--, I can't even imagine how much this has been stressful for you, being thrown into the position you've been thrown into, so I appreciate it very much and this has been very helpful. I have a few questions about solvency for the organization moving forward, primarily if-- if Saint Francis does-- and I-- you clearly have thought through this very diligently and you have no intention of-- of being into bankruptcy. But if that were to happen, what would that mean for Nebraska?

WILLIAM CLARK: If I understand your question, please, ma'am, if we became insolvent--

M. CAVANAUGH: Yes.

WILLIAM CLARK: --what would that mean for the state of Nebraska?

M. CAVANAUGH: Yes.

WILLIAM CLARK: Saint Francis really operates with multiple subsidiaries, so you have the corporate office, Saint Francis Ministries, then you have multiple subsidiaries underneath it, of which Nebraska, the ESA is one of them. And so that contract is

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properly funded. I do not see a reason why, even if something else happened, we cannot continue to perform within that subsidiary.

M. CAVANAUGH: OK,

WILLIAM CLARK: Does that make sense?

M. CAVANAUGH: Yes, it does. I have a follow-up. And this might be for you.

MATT STEPHENS: OK.

M. CAVANAUGH: What are your current caseworker ratios?

MATT STEPHENS: So I think, with the latest numbers that I've seen, and so I-- I can get you an updated version if that is easiest, but off the top of my head, I think what I saw was 51. And so I know there's some--

M. CAVANAUGH: Can you explain, 51 what?

MATT STEPHENS: Fifty-one percent in compliance of the--

M. CAVANAUGH: Oh, OK.

MATT STEPHENS: --under 17. With that being said, I think we have not only a case management, a pure number of case manager issue, but there's also a distribution issue. So I think there's going to be some work internally that we do to try to understand how we're distributing cases and then start to reassign as appropriate. So one of the things that you also don't want to do from my seat is to do anything that would slow up permanency. And so one of the things that does slow up permanency is when you transfer cases around--

M. CAVANAUGH: Right.

MATT STEPHENS: --from case manager to case manager. And so that's the other issue. And the struggle turnover is when you have turnover that is naturally occurring at a relatively high rate. As Director Beasley said, in this industry it's relatively high. You already have that. And so I-- I get nervous about the best way to take and redistribute cases because I think we could look better on paper but not be better in practice. And so that's the concern that I'm trying to fully understand. Before I can really give you a great answer. I can give you the answer of-- of where we're at with compliance. We've got-- the

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most recent I saw was at 51. I think at one point in time it was 47 and then 63 percent. So what they do is just look at the total number of workers that we have that are under 17 total cases and they say-- they get, you know, green check marks and that's where they get the 51 percent.

M. CAVANAUGH: What would you say is the average ratio for those that aren't in compliance, that 49 percent? Is it over 20? Are they over 25?

MATT STEPHENS: I don't have all of that in front of me. And so what I could do, if it would be helpful, I can look. Again, I think we've-- we're starting to look at this number slightly differently. And so if that's something that you want to see, I-- I can show you on a graph what that looks like. It would be high level. Obviously we wouldn't be able to drill down and look at individual kids or worker--

M. CAVANAUGH: Averages would be great.

MATT STEPHENS: But I think it would show-- I think the problem with averages, as we talked, you know, honestly, if we just took the raw number of cases we had and the case managers--

M. CAVANAUGH: That--

MATT STEPHENS: --we're pretty close, right? So that average doesn't work.

M. CAVANAUGH: Sure.

MATT STEPHENS: Really, you have to look at where you're actually kind of at. So I can take a look at that--

MATT STEPHENS: Thank you.

M. CAVANAUGH: --if that's something you'd be interested in.

M. CAVANAUGH: Yes, thank you.

WILLIAM CLARK: If I may, too, at the beginning of the calendar year, in early January, we brought a team up here, and which Matt was part of it, to look at this exact issue. And just by doing straight-line math, the number of case managers we had versus cases, the number is 17.2:1. But doing straight-line, as Matt talked about, isn't really what you need to look at because that's not what's best for kids. We

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also took a look at our turnover rate with that, look how many case managers are leaving organization per month, how many do we have in the training base. As DHH [SIC] alluded to, it's a 14-week cycle, so you can do the math to make sure you're trying to have the right number of people in the training base to make sure that you are not losing more than you're bringing in, so straight-line it looks good, but that is not the right answer for kids.

M. CAVANAUGH: Thank you.

ARCH: Other questions? Senator Day.

DAY: I just have a clarifying question on what Senator Cavanaugh had asked. So when you say 51 percent are in compliance with the 17 and under, is that Nebraska ESA specific?

MATT STEPHENS: Yes.

DAY: Or is that as-- OK. OK, thank you.

ARCH: Thank you. Other questions? Senator Williams.

WILLIAMS: Thank you, Chairman Arch. And thank both of you for being here. And more importantly, thank you for your commitment to the success of this. You talked about separate entities under this. Does-- does each one of those separate entities have its own assets or are they just basically shell corporations, as I would call it, or empty corporations?

WILLIAM CLARK: Each of them has its own defined board of directors, which nest with the corporate board of directors. The financials are all rolled up into one.

WILLIAMS: OK.

WILLIAM CLARK: We have one corporate set. With that, though, when you look at just Nebraska, for example, we'll run financials on Nebraska, we'll run a financial and Kansas, on Texas, and they all get rolled up. When you talk about assets or, you know, I think about physical plant, that type of thing, most of the facilities that Saint Francis has are leased. Our vehicles are leased, for example. So you think of physical assets. Our balance sheet really wouldn't demonstrate that.

WILLIAMS: So as far as having any reserves to back up what we're looking at here?

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WILLIAM CLARK: We do have an endowment. Currently, we have about \$14.8 million, I believe, in endowed funds that the board of directors has their auspice to control it. The endowed funds are pledged as collateral against the line of credit, as you can imagine.

WILLIAMS: Go-- going through what you have gone through with this analysis, part of that analysis had to be at some point, should we try to just walk away from this situation? And I'm assuming by the fact that you're here and that you're renegotiating the contract, that you are confident that with the proper management and direction and the implementation of the things you've talked about, that you can not only take care of the kids, which we all care about, but you can do that in a financially stable manner.

WILLIAM CLARK: We never talked about just walking away to walk away. That's just not who we are. Most of the people that serve at Saint Francis have a reason for being there. We talked about the challenge with the Nebraska had to do with the funding piece: Can we solve the funding mechanism that hopefully I laid out clear enough for the committee? The answer is we-- we can solve that together and we want to partner with the state. We want to take care of children not only in the western part of the state, but in the Eastern Service Area. So I'm-- I am confident today that if we can solve those buckets that I mentioned, that we can move forward productively. I think we have a very dedicated team of leaders at this point who are very transparent and open with each other, and we have some very hard, difficult conversations. Nothing is no longer hidden. Everybody gets to see everything, and so we can move forward together.

WILLIAMS: You have continued to use the term "interim director" in front of us. Has the board of directors begun the-- what I'll call a management succession plan process to know where you are long term? And when I say you, Saint Francis--

WILLIAM CLARK: Yes, sir.

WILLIAMS: --not specifically you, that-- that that management team that will be so critical to the long-term performance here is in the saddle, ready to go.

WILLIAM CLARK: The short answer to your question, sir, is yes. Right now, the board of directors and myself actually are-- are in discussions of me staying on a permanent basis.

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WILLIAMS: OK, and you're OK with that?

WILLIAM CLARK: Yes, sir. [LAUGHTER]

WILLIAMS: Know-- knowing that the-- that you're in limbo on the PPP program, is the fact that the new applications that the program has been reupped, are you-- I'm sure you're looking at all alternatives with that as a potential also.

WILLIAM CLARK: We have looked at that. and I do not intend to apply for that at this time. When we applied the first time, we applied under an alternate standard. When I look at that, I'm not comfortable doing that going forward. I-- I've talked to the board of directors about this. And so what I think we need to do is solve the one that we received. We did not lay off any employees during the pandemic because of the pandemic. States such as Nebraska, Kansas, there's alternate ways to continue our service and we've been able to do that. So the short answer is, yes, we're aware, do not have intention to apply for that.

WILLIAMS: It just gets really complicated for a business like yours.

WILLIAM CLARK: Yes, sir.

WILLIAMS: Yeah. Thank you.

ARCH: I have a question. Is there a target date that you have in mind for when you would want to, need to have a new contract with the state of Nebraska, from-- from Saint Francis' perspective?

WILLIAM CLARK: Yes, sir. I'm pausing to make sure I give you the-- the right answer. I would like to have a new contract in place by January 29.

ARCH: January--

WILLIAM CLARK: Twenty-ninth of 2021.

ARCH: Oh, OK. This-- this year?

WILLIAM CLARK: Yes, sir.

WILLIAMS: This month.

WILLIAM CLARK: Feb-- Feb--

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ARCH: This month, yes.

WILLIAM CLARK: February 12, there are no funds left available in the current piggybank, as I explained it, to continue operations in the Eastern Service Area.

ARCH: So you need to have that in place so that you know, going forward, you can-- you can continue the contract--

WILLIAM CLARK: Yes, sir.

ARCH: --and continue to fulfill the contract.

WILLIAM CLARK: And those negotiations, those discussions have been going on-- ongoing throughout this-- this current week. We will continue next week. Once again, I'm very appreciative of DHHS. They've been very good partners to work with. CEO Smith is very up-front that she will hold me accountable, as she should, and they have expectations, but she's been a good partner. I've appreciated her forthrightness. I've appreciated her candor and we're willing to make sure we're both trying to take care of kids.

ARCH: Thank you. Other questions?

WALZ: [INAUDIBLE]

ARCH: Senator Walz.

WALZ: Thanks for being here today. It's really nice to have you guys here. The proposed agreement, I just want to make sure I understand it, is the contract, the-- the initial contract plus \$25 million, plus \$10 million. Am I right? Am I reading that right or--

WILLIAM CLARK: The initial contract, as CEO Smith alluded to, if you were to create a new under the emergency provisions, the old one goes away, it's sunsetted, and so then you operate from the new one. And we're working through right now to see if we can get [INAUDIBLE] from everybody. What I was hoping to articulate and maybe did a poor job of, under the current contract, we lost \$10 million in the first fiscal year, which fiscal year '20, and we only operated that contract for part of that year; in this current fiscal year, '21, \$25 million, and that same number would carry for-- forward for the succeeding four years total. So if you add it all together, you're talking \$110 million.

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WALZ: For four years.

WILLIAM CLARK: For four years--

_____ : Five years.

WILLIAM CLARK: --really five because the ten is for the first year.

WALZ: OK.

WILLIAM CLARK: So it's \$25 million per year for four years and then \$10 for the year that's already passed.

WALZ: Got it.

M. CAVANAUGH: Question.

ARCH: Questions? Go ahead, Senator Cavanaugh.

M. CAVANAUGH: Thank you. Thank you again. First, I'll go back to Senator Walz's question. The \$110 million, that \$10 million for the year that passed, has that already been agreed to?

WILLIAM CLARK: Nothing has been agreed to officially at this point. It is part of the negotiation process.

M. CAVANAUGH: OK. How much extra funds have been given to Saint Francis Ministries from the state of Nebraska outside the scope of the original contract at this point?

WILLIAM CLARK: I'm pausing because I have to go back in time. If I remember, there was one amendment that was-- add-- added funds under the contract for some extra work that needed to be done.

M. CAVANAUGH: Do you know when that was?

MATT STEPHENS: Are you talking about the transition?

WILLIAM CLARK: No, there was another point in time--

MATT STEPHENS: OK.

WILLIAM CLARK: --contract [INAUDIBLE] additional. I have to go back and look at that, but I have seen it. I just don't recollect. But as far as additional funding tied to what we're talking about, to my knowledge, no.

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MATT STEPHENS: No.

M. CAVANAUGH: OK.

WILLIAM CLARK: The piggybank has remained consistent.

M. CAVANAUGH: OK, so this contract that you're renegotiating would have \$110 million in additional funds, and you're confident that at that rate you'd be able to provide the services at the caseworker ratios that we require in statute?

WILLIAM CLARK: I'm going to answer your-- your real question, but I need to back up for a second.

M. CAVANAUGH: OK.

WILLIAM CLARK: I can't tell you that the \$110 million number is what will go into the renegotiated contract, because I can't tell you the length of that contract right now.

M. CAVANAUGH: Sure.

WILLIAM CLARK: What we are working through is, what's the right staffing ratios, what's the right program levels; the providers that we use external, make sure that's covered.

M. CAVANAUGH: Let me re-- can I rephrase it for you?

WILLIAM CLARK: Yeah.

M. CAVANAUGH: Twenty-five million for the next year of the contract in addition to what was in the initial contract, is that enough to operate with the ratios that we have in statute?

WILLIAM CLARK: Under the current contract, which will not be standing, in the current contract, that is the projected number. It goes back to, I mentioned, we have to make some operational adjustments in the Eastern Service Area within our own program to make sure that we have the right staffing numbers and how we do that.

M. CAVANAUGH: What I'm trying to get at is, are we giving you enough money to do the work that needs to be done?

WILLIAM CLARK: I really appreciate that question, and I-- I'm not trying to dodge it. I don't know until we've finished exactly, working with DHHS, how they're going to categorize it and how we're

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categorizing. We're working through that process. We just started talking about staffing ratios, provider payments, those pieces in the last really 72 hours.

M. CAVANAUGH: I ask that because, as you maybe noticed earlier, I'm very concerned of how we got to this point.

WILLIAM CLARK: Yes, ma'am.

M. CAVANAUGH: But really the most concerning thing is what is happening moving forward. And we are here to partner to ensure that you are able to do your work, so thank you for that. I have one final question, I promise, a quick one. Are the members of the board the same at Saint Francis? Has anyone left the board?

WILLIAM CLARK: The board members have not changed at this point in time.

M. CAVANAUGH: OK, thank you.

ARCH: Other questions from the senators? OK, seeing none, thank you. Thank you for your forthrightness, your direct-- your direct response to questions, appreciate it very much. And this will conclude the briefing for today.

WILLIAM CLARK: Thank you for allowing us to be here.