

MASTER CONTRACTING WITH COMPREHENSIVE SERVICE PROVIDERS:

*A Tool to Simplify Administration
and Promote Outcome-focused,
Integrated Services*

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SECTION 1: SETTING THE CONTEXT

Our service systems for children and families are organized like silos. The silos run from our nation's capital through our state governments and down to the local level, and are the portals and pipelines for transmitting plans, programs, and funding. Each large system silo - early childhood, health, mental health, substance abuse, social services, education, child welfare, juvenile justice, and employment - includes a multitude of smaller "sub-silos," often linked to categorical funding streams that were authorized by federal or state governments, in order to respond to a particular service need, emerging problem, or target population. The service system silos are maintained and reinforced by the organizational structure of government, where discrete departments and divisions plan for, administer, and oversee categorical funding programs in their particular service area.

At the local level, where the service delivery "rubber hits the road," the problems and inherent limitations of categorical funding become most apparent. Many service providers are making valiant efforts to meet the holistic needs of children and families. What this means in a categorical world is that a particular program or agency must piece together multiple funding streams to fashion comprehensive and integrated service responses. But each funding stream comes with its own restrictions, specifying target populations, eligibility requirements, accountability standards, and reporting requirements. Because of these complexities, it takes a Herculean effort to apply for, administer, and sustain a diverse portfolio of government contracts to support a comprehensive model – challenging and taxing even the most motivated, experienced, and dedicated leaders.

From the family perspective, categorical funding often results in programs that become self-contained, with administratively required but unnecessary barriers that result in an experience of fragmented and uncoordinated care. Individuals and families with multiple needs who may be in crisis situations too often find themselves having no choice but to go from site to site, program to program -- and, in essence, silo to silo -- repeatedly telling their story in order to obtain services and assistance.

Against this backdrop of system silos, there is a growing consensus among practitioners, policy-makers, and researchers about what it takes to serve children and families effectively. These steps include:

- ❖ ***Embedding ecological, family support principles*** into policy and practice, including serving children within the context of their families and communities, utilizing strength-based approaches, and ensuring that services and systems are culturally competent.
- ❖ ***Reorienting the service continuum***, to place greater emphasis on promotion and targeted prevention to reduce the need for more intensive and expensive intervention and treatment.
- ❖ ***Simplifying the organization and delivery of services***, including organizing services into coherent programs and programs into coherent systems, and establishing service delivery pathways that are comprehensive and easy to navigate.
- ❖ ***Focusing on meaningful performance measures*** to ensure that both the public and private sectors deliver services that are accountable, effective, efficient, accessible, acceptable, and equitable.

These common principles and emerging directions serve to unify and align the various system silos that serve children and families. However, the fundamental categorical nature of our systems, funding, and programs is a persistent challenge to their full realization.

Unfortunately, this is not a new problem. Since the turn of the 20th century, the need for more comprehensive and coordinated service delivery has been recognized. With the proliferation of federal categorical programs – beginning in 1910, accelerating in the 1930s, and again in the 1960s – the problems of effectively combining funding streams to meet comprehensive program goals became more apparent. By 1982, the Select Panel on Children’s Health had identified the fragmentation of children’s services as one of the most systematic barriers requiring policy reform. The 1992 report from the bipartisan National Commission on Children went even further, stating that:

“Families facing severe problems often need more integrated and sustained interventions, delivered by skilled professionals who are able

to respond early and comprehensively to family's multiple needs. Unfortunately, the present system of human services generally fails to meet the needs of seriously troubled families. Service providers in separate programs serving the same families rarely confer or work to reinforce one another's efforts. Few resources are available to help families early, before their problems become too mammoth to ignore...As a result, families seeking assistance often encounter a service delivery system that is confusing, difficult to navigate, and indifferent to their concerns. ...Fragmentation and lack of coordination among programs and services contribute to a widespread perception of inefficiency and waste in public health and social service programs. In many cases, this perception is justified. Multiple layers of bureaucracy and extensive record-keeping and reporting requirements, developed in part to guard against the misuse of public funds, have often cost more than they have saved.”¹

In response to this problem, the National Commission on Children recommended a series of changes in the organization, administration, and implementation of programs at all levels of government, to encourage a more collaborative and comprehensive service delivery system, including the decategorization of selected federal programs to bring about greater cohesion and flexibility among programs for children and families.

One method that has been successfully used to decategorize federal and state funding is an administrative tool called a “master contract.” Master contracting has been effectively utilized in New York State to simplify administration for multi-funded service providers and to promote an integrated, outcome-focused service delivery approach. New York State has implemented the master contract approach twice. In the first application, the state developed an interagency master contract with a non-profit agency, The Door, which combined primarily state funding streams administered by three state agencies into a single contract. In the second application, the New York State Department of

¹ National Commission on Children. *Beyond Rhetoric: A New American Agenda for Children and Families*. Washington, DC: Final Report of the National Commission on Children, 1991.

Health combined a mix of federal and state funding into the consolidated Monroe County Child and Family Health Grant.

The New York State experience with master contracting, while limited and specific in its application, is instructive for other governments and provider networks attempting to integrate funding and services to better meet the comprehensive needs of children and families. As the number of categorical funding streams continues to increase, so does the call to fashion more coordinated and comprehensive delivery models. In California, for example, several recent policy initiatives have sought to provide more coordinated and comprehensive services to children and families with multiple needs. These include programs like California's Healthy Start, which attempted to provide comprehensive, school-based, and school-linked learning support services and, most recently, the California First 5 initiative, which is creating several different types of multi-sector service delivery platforms to provide a continuum of health, family support and early care, and education services to families with children zero to five. Decategorization methodologies such as master contracting have the potential to advance the goals of these and other comprehensive service initiatives.

This paper provides an overview of master contracting as a promising addition to the system reformer's tool kit. Drawing on the New York State experience, Section II provides a basic introduction to master contracting; Section III highlights what has been learned about the benefits and challenges of utilizing the master contract approach; and Section IV concludes by considering the potential implications and applications of master contracting techniques for the State of California.

SECTION II: THE "ABC'S" OF MASTER CONTRACTING

Master contracting is an administrative mechanism that addresses many of the problems of categorical funding without fundamentally altering the funding stream, its appropriation language, or legislative intent. Simply put, master contracting involves establishing a comprehensive agreement between a funding agency with fiscal and administrative responsibility for

several categorical programs (e.g., county, state, or federal government) and a service delivery provider to deliver a more comprehensive, responsive, and coordinated set of services. A master contract allows the two entities to align their funding and service delivery goals strategically by combining multiple, uncoordinated programmatic contracts into a single agreement. Master contracting is most appropriate for use with service providers who receive multiple government contracts in their efforts to deliver comprehensive services to individuals and families. While a core goal of master contracting is to simplify administration, the mechanism can also be used to increase local funding flexibility, strengthen accountability through use of performance outcome measures, and foster service integration.

In this section, we describe the elements of a master contract, using two case examples that have been implemented in New York State as illustrations. One example is the state's master contract agreement with The Door, a non-profit, comprehensive youth development organization, which combines seven categorical contracts from three state government agencies into one contract. The second example merges seven contracts from the New York State Department of Health into a consolidated Child and Family Health Grant with the Monroe County Health Department. These models demonstrate that master contracts have been effectively implemented within one service sector (e.g., health) and across service sectors (e.g., health, alcohol and other drug services, and youth services). Additionally, the examples demonstrate the potential to utilize master contracting to consolidate funding from state government to a local government agency or from government to a non-profit entity.

This section is divided into two parts. To provide a contextual framework, we begin by providing a brief overview of the case examples. We describe the organizations, the impetus for seeking a master contract approach, and the funding streams included in their respective master contracts. Next, we present the “ABCs” or core elements of master contracting and describe how each of these elements was implemented in the agreements for The Door and the Monroe County Health Department.

**Case Example:
The Door – A
Center for
Alternatives, Inc.**

The Door - A Center for Alternatives, Inc. is a comprehensive youth service program in New York City. The Door was established in 1972 to provide integrated, comprehensive, and accessible services to youth. To meet this goal, The Door provides a wide array of preventive and remedial services under a single roof, all coordinated around the developmental needs of youth. At the time the master contract was being designed, The Door served more than 6,000 young people a year from all of the boroughs of New York City, through its comprehensive health care; counseling and mental health services; educational and vocational counseling; physical, creative, and performing arts; milieu and legal services; and support services.

Like many multi-service providers attempting to fashion comprehensive approaches, The Door received funding from state, city, and federal governments and was challenged in trying to meld, manage, and account for categorical contracts. The Door sought an administratively simpler and more integrated funding approach that incorporated a fundamental understanding of its youth development service delivery model. With the aid of a consultant, The Door presented a position paper to the Governor's Office, seeking to partner with state government and develop a contract approach that would support an integrated service delivery model. The New York State Council on Children and Families, an interagency coordinating body within state government, assumed the leadership role in working with the relevant state agencies and The Door to coordinate the design and implementation of the master contract initiative. The Council's interagency team included program and fiscal representatives from three funding agencies- Office of Alcoholism and Substance Abuse Services, Department of Health, and Division for Youth – along with the Division of the Budget, the Office of the New York State Attorney General, and the Office of the State Comptroller.

The first master contract between New York State and The Door was implemented in January 1991. The initial master contract combined seven contracts with three state agencies into one agreement totaling \$1.4 million. The following chart displays the resources included in the initial master contract:

| New York State Agency | Program | Funding Source | Amount |
|---|---|--|--------------------|
| New York State Office of Alcoholism and Substance Abuse Services | Drug Prevention | State | 530,000 |
| | Drug Treatment | State | 290,000 |
| New York State Department of Health | Family Planning | State and Federal (Maternal and Child Health Services Block Grant) | 340,000 |
| | AIDS Education | State | 130,000 |
| | Supplemental Nutrition Assistance Program- Homeless and Destitute | State | 40,000 |
| New York State Division for Youth (Now Office for Children and Family Services) | Special Delinquency Prevention Program - Adolescent Parents | State | 50,000 |
| | Special Delinquency Prevention Program - Delinquency Prevention | State | 60,000 |
| Total | | | \$1,440,000 |

New York State's master contract with The Door is still in effect today, however it represents a smaller proportion of The Door's overall budget than it did when the master contract was initiated. The overall funding level for the master contract has been stable, and there have been some shifts in funding for specific programs. For example, substance abuse treatment funding was discontinued and substance abuse prevention funding was increased to be more reflective of The Door's youth development approach. While The Door has continued to mature as an organization, it has stayed true to its comprehensive and integrated youth service delivery model and is viewed as one of New York City's premier youth development agencies.

Case Example: Monroe County Health Department

Located in western New York, Monroe County is the third largest metropolitan area in New York State, with a population of 735,343 -- including 219,775 residents in the City of Rochester. While Monroe County is generally perceived as relatively prosperous and economically stable, there are areas in the City of Rochester with extreme need. Citywide, 37.9% of all children under age 18 are living in poverty. Approximately one-third of these children live in the 20 City of Rochester census tracts with child poverty rates between 50% and 75% (US Census 2000).

With a mix of funding from federal, state, and county governments, the Monroe County Health Department provides a spectrum of health and supportive services for children and their families aimed at improving health outcomes. These services reach families primarily located in the inner city's most distressed neighborhoods and include: Community Health Worker Home Visiting Program; Infant Child Health Assessment Program; Early Intervention Services; Infant Mortality Review; Family Support After Loss; WIC; Immunization; Childhood Lead Poisoning Prevention; and Children with Special Health Care Needs.

The programs all recognize the link between poverty and other health and social risk factors. Despite this common thread, the ability of these Health Department programs to work together was hampered by categorical funding streams that encouraged services to become self-contained and uncoordinated with other services or programs. Each program maintained its own point of entry, intake and assessment procedures, service delivery approaches and protocols, data systems, and accountability standards.

For Monroe County, participation in the Robert Wood Johnson Foundation's *Child Health Initiative: Reducing Categorical Barriers to Care Program* from 1993-1996 was a significant catalyst for addressing the problems of categorical funding.² Monroe County was one of 10 communities selected by the foundation to demonstrate locally-driven approaches to integrating health services for children. With foundation support, the Monroe

² Newacheck P, Halfon N, Brindis C, Hughes D. *Evaluating community efforts to decategorize and integrate financing of children's health services*. The Milbank Quarterly, 76(2):157-173, 1998.

County Health Department secured the technical assistance of consultants to help craft a service and funding integration strategy. To provide Monroe County with the flexibility to implement its service delivery reform and streamline administration, the county worked with its consultants to submit a proposal to the New York State Department of Health to consolidate seven categorical child and family health grants into a single integrated grant.

The New York State Department of Health agreed to partner with Monroe County Health Department to develop and pilot test a Consolidated Child and Family Health Grant. The state viewed the grant as an opportunity to advance its goals of tailoring services to community needs; strengthening local health units and providing greater local control; focusing on desired health outcomes; and streamlining health care oversight and administration.

The initial Consolidated Child and Family Health Grant was launched on January 1, 1997, totaling \$3.4 million and including the following categorical grants:

| Program | Funding Source | Amount |
|--|--|---------------|
| WIC | Federal WIC and State Local Assistance | 1,414,400 |
| Childhood Lead Poisoning Prevention and Lead Interim Housing | Federal Maternal and Child Health Services (MCH) Block Grant, Preventive Health and Health Services (PHHS) Block Grant, State Local Assistance | 542,200 |
| Community Health Worker | State Local Assistance and Medicaid Match | 165,900 |
| Early Intervention Administration | Federal Early Intervention (Part H IDEA) | 329,900 |
| Infant Child Health Assessment Program | Federal Early Intervention (Part H IDEA) | 236,700 |
| Infant Mortality Review | Federal MCH Block Grant | 63,800 |
| Immunization | Federal CDC | 682,000 |

| Program | Funding Source | Amount |
|---------|----------------|--------------------|
| | | \$3,434,900 |

The Consolidated Child and Family Health Grant between New York State and Monroe County has been in effect since 1997. During this period, some adjustments have been made to the funding levels and programs included in the Child and Family Health Grant. For example, some funding, such as for Infant Mortality Review and Interim Lead Housing, has terminated. In addition, Infant Child Health Assessment Program merged with Early Intervention and was renamed Child Find. New funding for immunization initiatives has been added to the Child and Family Health Grant. However, the large components of the initial grant – Early Intervention, Childhood Lead Poisoning Prevention, WIC, Community Health Worker, and Immunization – have remained ongoing, stable sources of support.

The “ABC’s” of Master Contracting

In its most basic form, the master contract is a legal agreement setting forth terms and expectations between parties. Like other contracts for the provision of services, the master contract must include a contract boilerplate that defines the parties, purpose, and duration of the agreement; budget; work plan; payment process; and reporting requirements. Because the master contract involves multiple funding streams from different categorical programs, the process of developing a master contract is both distinctive and challenging. Substantial preparation, analysis, discussion, and consensus building is needed among the different funding source programs (“funders”) and the service provider. This preparatory work is needed to align goals, objectives, expectations, reporting, and accountability requirements; to reach agreement on the format and provisions of a single agreement; and to define the roles, communication, and coordination processes to support the master contract.

There are multiple ways to construct a master contract, depending on the fundamental goals the parties are trying to achieve. For example, if funders are only interested in streamlining administration, they could combine contracts and simplify the payment process, but maintain categorical budgets, work plans,

and reporting documents. In both New York State case examples, however, the master contracts were developed to achieve four goals: (1) to streamline administration, (2) to increase funding flexibility, (3) to strengthen accountability through the use of outcome measures, and (4) to foster service coordination and integration. To achieve a master contract that meets these comprehensive goals, the elements detailed in the following sections need first to be established.

A. Single Contract Mechanism

A master contract requires a single contract instrument to transmit funding. The funding agencies must agree to the actual contract boilerplate language and the required appendices that more fully describe the terms of the agreement. When New York State embarked on the master contract demonstration project with The Door, the state had not yet developed a standard state contract boilerplate. While the Attorney General required a core set of clauses for all contracts, there was still great variety within and among state agencies regarding the actual contract boilerplate and its appendices. For the master contract initiative, staff from the Council on Children and Families conducted a thorough analysis of the contract clauses contained in the existing categorical contracts with The Door, and worked with the involved state agencies, and the Offices of the State Comptroller and Attorney General, to develop a streamlined master contract boilerplate agreement. The contract boilerplate developed for The Door resulted in a dramatic reduction in the number of contract clauses, from approximately 200 to 30, which had to be reviewed by both the provider and the state.

The master contract provided a catalyst for systemic change in New York State, and a model for a standard New York State contract boilerplate. Effective April 1994, all agency and department heads were required to utilize a standard contract boilerplate for new program service contracts and renewals of program service contracts with not-for-profit organizations, for-profit organizations, and municipalities. The existence of the standard contract boilerplate greatly facilitated development of the Consolidated Child and Family Health Grant between the New York State Department of Health and Monroe County Health Department.

B. Multi-Year Term with Simplified Annual Renewal

Many government contracts are for one-year terms, despite the fact that a large proportion of providers are re-funded year after year to deliver services. Issuing requests for proposals and developing new contracts on an annual basis requires substantial administrative time and resources for both funding agencies and service providers. Contracts that include provisions for a multi-year term and simplified annual renewal can streamline contract administration, reduce delays in payments, and ensure continuity of services. Consistent with New York State's policy direction in this area, both The Door Master Contract and the Monroe County Child and Family Health Grant were constructed with these provisions.

Both The Door and Monroe County master contracts are for five-year terms. Both agreements include provisions for the submission and approval of a simple contract modification agreement prior to the beginning of the second and subsequent years of the multi-year term. Continued state funding throughout the term of the agreement is subject to periodic review of program progress and the standard provisions regarding the availability of state funds through the annual appropriation process.

C. Single Fiscal Year

The categorical contracts received by both The Door and Monroe County prior to their master contracts fell predominantly within three different fiscal years: July to June, October to September, and January to December. The execution of a master contract requires selection of a single fiscal year. From the perspective of the service provider, choosing a contract fiscal year that is consistent with the existing, operating fiscal year is preferable since it provides the greatest alignment with internal budget and planning processes. From the perspective of the funding agencies, a chief consideration in determining the fiscal year is the funding cycles of the involved funding streams. Both The Door and Monroe County master contracts have utilized the calendar year as the fiscal year. However, New York State and Monroe County are currently shifting the Child and Family Health Grant to a federal fiscal year to reduce some of the administrative and payment challenges experienced by the state.

*D. Unified,
Comprehensive Work
Plan Focused on
Outcomes*

At the heart of master contracting is the opportunity for funders to obtain a more comprehensive understanding of the services being provided and for providers to present their services as a package, rather than one categorical slice at a time. In exchange for greater flexibility in the use of resources, another core component of the master contract is the inclusion of clearly articulated program outcomes with which to measure success and ensure accountability of public funds. Funding agencies can work with the provider to develop outcome measures that are in alignment with the intent of the involved categorical programs as well as measures that are cross-cutting and of interest to all programs.

Monroe County's work plan for the Child and Family Health Grant provides a comprehensive overview of target population and service strategies and includes goals and indicators that were jointly developed by the state and county. The four goals included in the Child and Family Health Grant work plan are:

- ◆ Healthy Births;
- ◆ Optimal Healthy Development of Infants and Children;
- ◆ Enhanced Development and Function of Children with Special Health Care and Developmental Needs; and,
- ◆ Effective and Responsive Systems to Support Maternal and Child Health.

For each of these goals, the county and state have agreed to a set of indicators, with specific performance ranges, to measure progress for the grant year. Since the inception of the Child and Family Health Grant, the goals have stayed constant while some indicators have been modified, dropped, or added to reflect changing circumstances.

The Door's master contract work plan includes a description of its service delivery approach, major program components, and characteristics of clients served along with a set of program outcomes. The state agencies agreed that The Door would be responsible for one set of measurable youth development outcomes. The manner in which program outcomes are framed reflects the state agencies' commitment to "buying a piece" of The Door. Each program outcome states the overall participation

target for The Door, the portion of this target for which the master contract provides funding, and the outcome that is expected with regard to changes in youth behavior or condition. As with Monroe County, the program outcomes have been modified over time to reflect changes in programmatic priorities and in developments in the field.

For both The Door and Monroe County Health Department, moving to an outcome framework required intensive discussion with funding agencies to reach agreement on: determining appropriate performance measures; defining the numerator and denominator for each measure; and identifying the data source and/or devising new methods for obtaining information. There was also substantial discussion on how closely to tie funding to performance. Both The Door and Monroe County are required to produce quarterly reports on their progress towards meeting agreed upon outcomes. Should the provider fall short, the question to be answered is, “Why?” Was it poor performance? Was the outcome overly ambitious? Has the client population changed? Do the data sources for the outcome need to be refined? Was there difficulty in filling key staff positions? The quarterly progress reports provide information to the funders that stimulate these important conversations, trigger technical assistance and/or the development of corrective action plans, and provide data to inform payment decisions for the current year and funding allocations for future years.

E. Consolidated Funding with Unified Budget

From a funding perspective, one goal of the New York State master contracts is to increase local funding flexibility in exchange for outcomes-based accountability. By combining resources from multiple appropriation sources into a single contract, funders in effect create a pool of resources to support the achievement of the master contract work plan.

The extent of flexibility afforded to the provider is influenced by several factors. First, not all funding streams are equally flexible. Funding flexibility is impacted by both the source and scope of the funding stream. In terms of source, some state funding streams offer a greater degree of freedom in determining the parameters that will guide the use of funds. While federal funding is not by definition more restrictive, there is an additional layer of

administration, regulation, and accountability that often results in less flexibility. In terms of scope, some funding streams are very broad, allowing for the delivery of a range or continuum of services. These “broadband” programs contrast with what might be termed “narrowband” programs, which have a much more specific target population, narrow scope of services, and restrictive definition of interventions.

Second, the way in which the master contract budget is constructed also influences flexibility. Broadly defined budget categories, coupled with the authority to interchange funds between categories, increase the flexibility to manage resources administratively, while narrowly defined categories without interchange ability reduce flexibility. Our case examples help to illustrate these points.

The Monroe County Child and Family Health Grant consolidates funds from seven categorical programs, largely federal in source. The contract budget merges resources from Early Intervention, Infant Child Health Assessment Program, Immunization, Childhood Lead Poisoning Prevention, and the Community Health Worker Program into a single funding stream. WIC funds are included in the single budget but are retained as a separate funding category because of more stringent federal requirements. For both the WIC and the pooled funds, the budget includes only three budget lines: personal services, fringe benefits, and non-personal services. Many of the funding programs included in the Child and Family Health Grant are “narrowband” in nature, in terms of target population and allowable interventions, which has posed some constraints in terms of the ability of the programs to participate in a broader scale of outreach, education, prevention, and health promotion activities. However, the grant has afforded sufficient flexibility to wrap integrated service delivery pathways and processes around the more targeted interventions.

In comparison to Monroe County, the largely state-funded, “broadband” programs included in the master contract with The Door have afforded greater flexibility. In terms of the master contract budget, the state agencies sought a more comprehensive fiscal picture of the agency than what was afforded through categorical contracting. A consolidated budget was developed that

displays the pooled state resources from the three state agencies as a single source of funding and also identifies resources from federal and local governments, and third party revenue. In addition to including a breakdown of personal and non-personal service expenditures, the budget includes a listing of positions to ensure compliance with staffing requirements. Provisions for interchange authority enhance The Door's ability to manage resources. The master contract allows The Door to interchange funds within non-personal services and personal service categories (e.g., direct service or administration/support services) without prior state approval.

F. Cost Allocation Methods

In the categorical model, each contract has a budget earmarked for specific purposes, and the provider is required to maintain a detailed accounting of the use of the funds. For comprehensive service providers, categorical accounting is complex and can be at odds with the integrated service model. For example, at The Door it is difficult for a physician or nurse practitioner to split a single office visit into component parts, with the first 25% devoted to family planning, the second 25% devoted to AIDS information, and the final 50% focused on general health care. Yet each piece may be supported by a different grant, and all three elements of the visit may be critically important to meeting the needs of the young person who sought out The Door for clinic assistance. In a master contract approach, where funders intentionally combine resources to support an integrated service delivery approach, the question is, "What are the least cumbersome accounting methods to allocate costs and maintain fiscal accountability at the individual program level?"

A cost allocation method is used to determine each categorical program's share of the allocated costs and to provide the information on which to base adjustments to future contributions. Monroe County's cost allocation method has evolved over the course of the grant. With state and federal approval, the county initially employed a cost allocation method based on the historical unit of service costs or "output" indicators. The county has since moved to a cost allocation method based on time and activity reporting. For The Door, the method utilized by state agencies has been relatively straightforward. Because of the more flexible nature of the funding streams involved and the state's

understanding of the need to integrate funding to support The Door's youth development model, the state agencies concluded that an extensive cost allocation method was not needed. The state agencies first determined the percentage of the whole master contract of each agency's funding, and then agreed to reimburse The Door for this percentage of actual contract costs.

G. Payment and Reporting Requirements

Multi-funded providers such as The Door and Monroe County juggle as many different payment processes and requirements as the number of categorical contracts they hold. Some contracts contain provisions for monthly payments while others call for quarterly payments. Some contracts allow for advance payments that are then reconciled based on actual expenditures, while others reimburse actual costs incurred. Contracts also vary on how tightly reporting requirements are linked to payment. Master contracting requires the selection of one payment process and set of requirements for payment. To advance the goal of administrative simplification, both The Door master contract and the Consolidated Child and Family Health Grant include provisions for quarterly advance payments that are then reconciled with actual expenditures. The quarterly advance system improves cash flow for the provider and significantly reduces the number of vouchers needed for payment.

When putting all of their money into one contract, a major concern for the provider is the availability of resources to support timely payments. For master contracts, funders need to establish a formal agreement and process that allows the contract manager to access funds from participating programs in order to pay the provider. When master contracts involve multiple government departments, this process may be slightly more complicated. For The Door, the process has worked as follows: Rather than transfer funds to the lead agency, participating agencies established an account code for their contract contribution and provided the lead agency with this information. The lead agency codes the provider's quarterly vouchers so they are charged against the account code, according to an agreed upon schedule. All of the involved agencies maintain their responsibility for processing the necessary approvals with the Division of the Budget, to ensure that funds are available in their accounts to support the interagency master contract.

Both The Door's and Monroe County's agreements tie receipt of required program and fiscal reports to the issuance of payments. For both case examples, the providers are required to submit quarterly progress reports describing performance in achieving outcome measures, as well as quarterly expenditure reports. These reports are sent to the contract manager who then distributes them to the participating programs for review. The reports allow funders to keep abreast of program and fiscal matters and serve as the basis for technical assistance or corrective action plans.

H. Coordinated State Contract Management and Oversight

Combining multiple contracts into one agreement requires selection of a fiscal agent and a single contract manager. At the same time, master contracting requires funders to operate as a team with new and different levels of coordination and communication on matters of contract development, fiscal administration, program monitoring, and oversight. Taking the time to clarify in writing the roles and responsibilities of the involved parties is key to success.

The Office of Alcoholism and Substance Abuse Services serves as the lead agency for The Door. A formal Memorandum of Understanding (MOU) was developed and signed by the commissioners of the three participating agencies, and approved by the Division of the Budget. This MOU details the fiscal commitment of each agency, and sets forth the roles and responsibilities of the lead agency and participating agencies, in the pre-contract phase and during the contract term. Similarly, the New York State Department of Health designated a contract manager for the Child and Family Health Grant and developed a roles and responsibilities document that guided expectations for the state staff and programs involved in the initiative. In both case examples, the master contract approach has prompted funding agencies to develop new, integrated, on-site monitoring documents and processes. For The Door, a team of staff from the participating state agencies conducts the on-site review. Similarly, for Monroe County the New York State Department of Health regional office developed and now implements a consolidated on-site monitoring process. From the perspective of the funding and oversight agencies, integrated monitoring allows for a more comprehensive picture of the services and programs that lead to specific outcomes, as well as the role their agency or program plays

in the health and development of the child, youth, or family. To the provider, these coordinated monitoring approaches have the added benefit of reducing multiple intrusions by monitoring agencies at different points in time.

I. Platform for Service Integration

The Door's master contract was initiated because the organization was seeking a funding approach that was in concert with its integrated service delivery approach. The Door was committed to delivering holistic, easy-to-access, youth development services and found that categorical funding imposed administrative, programmatic, and accountability roadblocks. Monroe County sought a master contract to help reduce its program-specific service delivery silos, each with its own point of entry, intake and assessment procedures, service delivery approaches, data systems, and accountability standards.

Monroe County began its master contract effort with a strategic planning process, engaging staff from three divisions and 10 program areas in articulating desired directions. A Child and Family Health Services Work Team was established with subgroups to design and implement core service integration strategies. Through a sustained focus and leadership over a multi-year period, Monroe County achieved the following service delivery improvements:

- ◆ Simplified access to services through co-location of staff, and establishment of a single point of entry for child and family health services;
- ◆ Creation of a computerized central registry of all children and families receiving county child and family health services, in order to generate information critical to management and frontline staff;
- ◆ Development of an interdisciplinary team approach, in order to improve service coordination for high-need families;
- ◆ Design and implementation of training to increase knowledge of services under the child and family health services umbrella and to build the skills needed to provide coordinated, comprehensive care;

- ◆ Initiation of marketing, communication, and public education strategies to promote the county’s integrated service delivery model; and
- ◆ Engagement of customers to assess satisfaction, and to shape services and service delivery approaches.

These are the “ABC’s” of the master contracts as they have been implemented in New York State for The Door and Monroe County. Taken together these elements form a new way of contracting with non-profit and local government agencies that streamlines administrative processes for these providers, and combines funding in support of a more outcome-focused, comprehensive, and integrated service approach.

SECTION III: BENEFITS AND CHALLENGES

This section highlights the key benefits experienced and challenges encountered in designing and implementing the two New York State master contracts, in hopes of informing others interested in pursuing the master contract approach. The following lessons are drawn from: an evaluation of the Monroe County Child and Family Health grant conducted by the UCLA Center for Healthier Children, Families and Communities³; a review of The Door interagency master contract conducted by the Council on Children and Families after the first year of implementation; follow-up interviews with leadership at both The Door and Monroe County; and CGR staff experience in providing technical assistance for both initiatives.

Benefits of Master Contracting

- ❖ ***Simplifies administration and can result in cost savings for the provider.*** From the provider’s perspective, master contracting is a more efficient model. For example, developing and processing one contract rather than multiple contracts, and submitting 4 quarterly vouchers rather than 28 vouchers for payment are beneficial changes. Monroe County estimates that it costs approximately \$10,000 in time and effort to process a single

³ Halfon N, Uyeda K. *Monroe County Child and Family Health Grant Report*. Los Angeles, CA: UCLA Center for Healthier Children, Families and Communities for the Robert Wood Johnson Foundation, 2005. Available at: www.healthychild.ucla.edu/EvaluationMonroeCounty.asp

contract through the county legislature. Processing a single Child and Family Health Grant (estimated cost: \$10,000) rather than seven independent contracts (estimated cost: \$70,000) is clearly more cost-effective.

- ❖ ***Strengthens focus on performance and outcome measures.*** The two New York State master contracts have explicitly focused on the development of meaningful outcome measures (e.g., changes in behavior, well-being, functioning, knowledge, or attitudes) that derive from program participation. The master contracts have also stimulated healthy discussions about the appropriate balance between outcome measures, participation targets, and other types of process measures. This is not to say that the development of outcome measures has been without its difficulties. However, the important point is that all parties have accepted the challenge of conceptualizing and implementing an outcome-based framework.
- ❖ ***Provides a mechanism to increase the flexibility of funding streams.*** As we have identified, some funding streams are “broadband” and have more inherent flexibility, while others are “narrowband” and more tightly prescribed. While the extent of flexibility will vary depending on the particular mix of “broadband” and “narrowband” funding streams in the master contract, master contracting will still afford the provider greater flexibility to use resources than they would otherwise possess under categorical contracts.
- ❖ ***Forges new levels of communication and coordination within and across system silos.*** The process of designing and implementing master contracts creates new relationships and coordination structures, which, in turn, help to reduce the insularity of programmatic silos. This is true at two levels: among government funders, and among the programs and services included in the master contract at the local level.
- ❖ ***Supports and stimulates the delivery of integrated services at the program level.*** The master contract for The Door aligned its funding with an integrated service delivery approach. For Monroe County, the master contract provided the impetus to retool operations. The UCLA evaluation found that service integration strategies deployed by the county resulted in positive changes in staff knowledge and practice, and improved customer satisfaction.

Challenges of Master Contracting

- ❖ ***Adds complexity for the funders.*** To a large degree, master contracting shifts responsibility for administrative coordination from the local provider to the funders. New coordination procedures and mechanisms need to be put in place to develop and execute the contract, ensure that funds from multiple “pots” are available for payment, and monitor program and fiscal performance. Categorical program administrators find that participation in a master contract requires a willingness to adopt approaches that may not be their standard practice.
- ❖ ***Striking the right balance of program-specific requirements within the master contract framework.*** One challenge in constructing a master contract is balancing the desire to streamline administration and the focus on outcomes, with the need to ensure that participating funders have the program-specific information they require. In both case examples, the providers have adopted new, comprehensive work plans and progress reporting against these work plans. However, many of the funders have continued to require the submission of additional program-specific reports, a practice viewed as an administrative overlay by the providers. While clearly funders must collect the information required to meet reporting mandates, master contracts provide an opportunity to revisit reporting practices and determine what is essential.
- ❖ ***Funding streams remain fundamentally unchanged.*** Master contracting is an administrative mechanism that does not fundamentally restructure the funding streams. This can be viewed as a strength, in that the master contract approach works with categorical contracts as they are, without seeking changes to appropriation language or regulations. But it is also a challenge, since the extent of flexibility afforded by the master contract can be constrained by the funding streams involved, particularly if they are predominantly “narrowband” in nature. A state’s decision to move forward with master contracts does not obviate the need to systematically eliminate restrictive program or eligibility requirements, or to consolidate funding streams on a more wide scale basis.

- ❖ ***Sustaining high level of interest and commitment among funders over time.*** Like all new initiatives, master contracting requires leadership to bring the concept to fruition. During the design and initial implementation phases, the new initiative is viewed as a priority and receives a high level of attention by funders. It is difficult, however, to sustain this focus over time as other priorities emerge. This is especially true when government administrations change or when there is turnover of key staff who helped spark the innovation.

SECTION IV: IMPLICATIONS AND APPLICATIONS FOR CALIFORNIA

Master contracting is a promising practice that merits consideration by policy makers in the State of California and its local governments. Master contracting is a versatile tool that can facilitate the delivery of comprehensive services for all populations – children, youth, adults, and older adults – and service systems. The only requirements to enter into this agreement are a service provider with multiple government contracts and a willing government entity.

Approaches to Get Started

To get started on a master contract, we suggest three potential approaches:

1. ***Analyze contracts to identify service providers that receive multiple government contracts from either one or more departments.*** Either state or local governments could undertake this type of analysis to identify master contract candidates. The analysis would reveal the service providers with both the largest number and/or total value of contracts. It would also reveal the patterns of contracting among multi-funded agencies, in terms of the most typical combinations of contracts they receive. This type of analysis would serve as an excellent springboard for the targeting of master contract strategies.

Who could do this kind of analysis? In California, where many initiatives are attempting to create more comprehensive and coordinated service delivery models, contract analysis could identify potential targets of opportunity for streamlining

contracting procedures and facilitating a master contracting process. For example, in Los Angeles County the Interagency Operating Group (IOG) is attempting to coordinate services across different county agencies, in order to improve the quality and efficiency of the services the county provides. A contract analysis could provide information about where the county could streamline their contracting process and identify specific service delivery models that provide opportunities for effective master contracts.

2. ***Utilize master contracting as a strategy for an existing service integration initiative.*** There are many service integration initiatives underway in California that may be ripe for master contracting. Applying master contracting strategies to an ongoing initiative would allow California to work with a ready network of service providers that are well versed in service integration, focused on a common set of outcomes, and likely supported by a similar set of funding streams. Three current initiatives in the area of child and family services that may benefit from master contracting are highlighted below:

- ◆ ***Developmental Service Pathways.*** Several California counties are attempting to construct cross-sector service delivery pathways to facilitate the delivery of developmental health services. These pathways attempt to link the provision of early childhood developmental, behavioral, and mental health screening, surveillance and assessments; anticipatory guidance; and preventive counseling that can be done in the community setting (i.e., child care, WIC, or other frequently used programs) with screening, guidance, and interventions that are done by pediatricians and other medical specialists, and ongoing therapy that is provided by regional centers and specialized providers.

Categorical funding is a challenge to the formation of these types of service delivery pathways. Creating more effective delivery pathways requires that counties bring to bear multiple state funding streams in order to meet the variable needs of developing children. Could counties, or First 5 commissions in collaboration with their counties, develop a master contract with the state to consolidate funding and accomplish these service system re-engineering goals?

- ◆ ***School Readiness Programs.*** Throughout California, state and county First 5 commissions are attempting to launch place-based service improvements designed to coordinate and integrate a range of early childhood health, mental health, early care and education, family support and parental education services into school readiness programs. These take many forms, from hospital-based programs such as the Hope Street Family Center in downtown Los Angeles, to school-based programs such as Orange County's School Readiness Sites, and neighborhood-based initiatives such as Ventura County's Neighborhoods for Learning. In almost all cases, these school readiness programs are attempting to create an integrated continuum of responsive services that will meet the needs of local children, while supporting families and communities in preparing children to be ready to succeed in school.

In order to be successful, these programs must currently initiate and secure individual service delivery contracts with different state and county agencies for preschool, child care, family literacy, health and mental health, and other services. In addition to the transactional cost of initiating each of these separate contracts, there is the ongoing burden of administering and reporting on each separate contract for discrete categorical services. From a county or state perspective, there comes the responsibility of treating each school readiness site as a unique entity, without the ability to broker a common and simplified agreement with organizations that are often quite similar in their goals and service offerings.

Could the state or county First 5 Commissions establish themselves as a funding broker and serve as a contracting intermediary to simplify the contracting process and permit local school readiness programs to negotiate a core service contract with their county or the state? Developing such a mechanism to facilitate the wholesale brokering of services to school readiness sites, through a common master contracting mechanism, could serve to accelerate the systems change and service enhancement goals that each First 5 commission is trying to achieve.

- ◆ ***Comprehensive School Health Services.*** School-based clinics, comprehensive school health centers and programs, and Healthy Start sites in California are all attempting to improve

the delivery of health and social services to underserved students. An evaluation of the development and sustainability of the Healthy Start program in California, conducted by the UCLA Center for Healthier Children, Families and Communities for the California Department of Education, demonstrated the difficulty many of these sites experienced as they attempted to fund a coordinated set of health and social services for children in their schools.⁴

Most comprehensive, school-based service programs must develop relationships with multiple county and community agencies, in order to expand the array of prevention, intervention, and treatment services they provide. One of the biggest impediments to success is the difficulty of securing and contracting with multiple agencies to provide a comprehensive continuum of services. The sheer amount of time and effort needed to apply for, secure, and administer specific grants is seen as a barrier to success and sustainability for many comprehensive school service sites. If comprehensive school health programs could approach their county and secure a master contract for a package of 5-8 different services, the difficulty of initiating and maintaining a comprehensive program would be greatly reduced.

3. ***Integrate master contracting into a new priority initiative endorsed by elected officials and system leaders.*** A third approach would be to link master contracting to a new and highly visible initiative. This would help to showcase the strategy and provide the political will that can often catapult a new concept quickly into reality.

Key Considerations

Based on the lessons learned from the New York State experiences, whatever approach is adopted, the following considerations should be taken into account:

⁴ Halfon N, Sareen H, Ball Cuthbertson B, et al: *The Healthy Start Initiative in California Report*. Los Angeles, CA: UCLA Center for Healthier Children, Families and Communities. March 2001.
Available at: www.healthychild.ucla.edu/SustainabilityCaliforniasHealthyStart.asp

- ❖ ***Bring leadership and right skill sets to bear on new master contract efforts.*** Master contracting will require leadership to construct a new contracting paradigm and to stay the course through both design and implementation. The team that is formed to create the master contract model must be empowered and able to think conceptually about high-level concepts, and the nuts and bolts of contracting – including budgets, cost allocation, and performance measurement.
- ❖ ***Think beyond a pilot project.*** All too often, successful but isolated pilot projects go unreplicated. In addition, having only one service provider operating as a master contract agency can pose difficulties for funding administrators because they must relate to the pilot differently than the rest of their funded programs. California can benefit from the fact that New York State has already demonstrated the feasibility of master contracting as a viable approach to more efficient and effective funding of integrated service programs. Applying master contracting to a cluster of service providers at the same time or in sequential waves will allow for collaborative and breakthrough learning and an accelerated pace for implementation.
- ❖ ***Build in “check-ups” for reassessment.*** Once the master contract is implemented, leaders must establish periodic opportunities for the involved parties to fully reassess both the master contract expectations and processes. This will create a culture of continuous quality improvement and allow the provider and funders to make the necessary adjustments to ensure that all of the stakeholders are getting what they need and expect from the arrangement.

CONCLUSION

Service providers, advocates, researchers, and policy makers alike continue to point to the complex web of categorical funding as a pervasive challenge to the delivery of integrated and comprehensive services. Master contracting provides a strategy to improve the effectiveness of available funding and the efficiency of administering funding from different public agencies. If strategically instituted as part of a service integration initiative, the master contract approach has the potential to accelerate what is often protracted and cumbersome formative stages of implementing comprehensive service models. By consolidating and streamlining funding and administrative processes, master contracting can enable comprehensive service delivery programs to focus more on what they do best: providing essential services to improve outcomes for children and families.