Contracting arrangements and business rules

Contracting arrangements

The provision of out-of-home care (OOHC) contracted care services is supported by FACS’ contract governance requirements and the OOHC Contracted Care Program Guidelines.

Contractual arrangements for OOHC comprise of the:

- **Funding Deed** – the deed outlines the terms and conditions for FACS and the non-government designated agency. The deed covers governance, financial accountability requirements and dispute resolution.

- **Program Level Agreement** (PLA) – the PLA outlines the services that will be provided including the target group, geographical area, service capacity, outcomes and funding levels. Service levels and other aspects of the PLA may vary from time-to-time as a result of negotiations between FACS and the service provider.

- **Service Delivery Schedule** (SDS) – the SDS is attached to the PLA and contains detailed information about the client group, services to be delivered and service levels. The SDS may change from time-to-time as a result of negotiations between FACS and the service provider.

The funding program is administered through the Contract Online Management System (COMS) which supports the end-to-end business processes for managing contracts with service providers. The Contracting Portal is an interface for service providers to view their organisation’s information, contracts and financial data which is held in COMS. Service providers are also able to update their contact information, complete financial acquittals, and report against performance through the Contracting Portal.

**OOHC unit prices**

Payment for OOHC placements is based on a standard unit price. This incorporates the service provider’s organisational costs and the full range of placement and support services to be purchased, including case management and assessment. The unit price for each of the verified placement types has the following components:

- General Foster Care, General Foster Care +2 and Intensive Foster Care include casework, on-call costs, vacancies, contingencies, carer allowances and respite.

- Residential Care and Intensive Residential Care include casework, manager residential facilities, residential workers, client costs and accommodation costs.
The placement type needed by a child or young person is determined by FACS’ application of the Child Assessment Tool (CAT). Each CAT recommended level has a corresponding standard unit price. FACS OOH\textcolor{red}{C} unit prices are published on the Community Services website.

The unit cost represents the average cost for the care of children and young people in a particular care category. It recognises that some children will cost more or less than the unit price for a placement type. Under the unit cost, funded agencies manage the payment of direct client costs and foster care allowances from the funding that is received. They have the flexibility to move funding between clients and care categories in line with the services required by the individual child or young person.

**Funding payments**

**OOHC placement services**

Funding for OOHC placement services is paid in advance but is reconciled against actual services delivered.

At the start of each quarter, service providers receive payment for placements that are expected to be delivered during the first and second month of the quarter. This includes both existing placements and any planned growth placements (i.e. carer transfers or new entries).

At the start of the third month of each quarter, payment is made for placements expected to be delivered that month and includes the reconciled position from the previous quarter. That is, if during the previous quarter the service provider delivered either more or less placements than what was purchased by FACS in advance, the payment will be adjusted accordingly (subject to the service providers upper funding limit).

The reconciled quarterly position is determined via a remediation process in which FACS contract staff and the service provider review monthly OOHC placement data. The OOHC placement data is extracted from KiDS and is used to verify the actual number of bed nights and type of placements the provider has delivered.

FACS’ largest OOHC contracts (Life Without Barriers, Wesley Dalmar and Barnardos), are managed by Service System Commissioning in which the reconciliation process operates as a central function. Districts may elect to be directly involved in the reconciliation process for these providers, but this is not a requirement.

**OOHC non-placement services**

Funding to OOHC non-placement services (i.e. family preservation, wraparound supports, leaving care, after care and adoption support services) is paid quarterly in advance.

**Performance concession for OOHC placement services**

If a service provider delivers 95% or more of the quarterly purchased target (a 5% or less vacancy rate) and does not exceed the quarterly purchased funding amount, the full 100% payment will generally apply for that quarter. A service provider’s eligibility to receive the concession is identified during the reconciliation process, and is representative of the total
number of purchased places versus placements delivered (on a bed night basis) irrespective of service type.

The performance concession has been developed in recognition that, in exceptional circumstances, variables may present that impact on service provision. However, FACS expects service providers to strive for full use of purchased placements at all times.

**Funded vacancies for residential care**

Vacancies can occur in residential and intensive residential care facilities due to issues such as matching placement needs and fluctuations in demand. This may result, for example, in a residential care unit with four bedrooms accommodating three young people which will mean a greater than 5% vacancy rate for a set period of time.

FACS recognises that residential facilities have overhead costs that remain fixed even when there are vacancies. Therefore, where a service provider has residential vacancies, FACS may consider paying a pro-rata payment of one or more of the non-client specific unit cost components (as outlined in Table 1). This ensures continuation of the facility and capacity of the provider to continue to provide satisfactory care for existing residents and placement capacity for new referrals.

**Table 1: Non-client specific unit costs per annum for 14-15**

<table>
<thead>
<tr>
<th>Cost component</th>
<th>Cost per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential care</strong></td>
<td></td>
</tr>
<tr>
<td>Manager residential facilities</td>
<td>$9,261.73</td>
</tr>
<tr>
<td>Residential workers</td>
<td>$133,285.55</td>
</tr>
<tr>
<td>Accommodation costs</td>
<td>$9,462.17</td>
</tr>
<tr>
<td><strong>Total per annum</strong></td>
<td><strong>$152,009.45</strong></td>
</tr>
<tr>
<td><strong>Intensive residential care</strong></td>
<td></td>
</tr>
<tr>
<td>Manager residential facilities</td>
<td>$13,077.48</td>
</tr>
<tr>
<td>Residential workers</td>
<td>$215,247.66</td>
</tr>
<tr>
<td>Accommodation costs</td>
<td>$12,721.73</td>
</tr>
<tr>
<td><strong>Total per annum</strong></td>
<td><strong>$241,046.87</strong></td>
</tr>
</tbody>
</table>

Residential vacancies may be planned in advance by FACS (this requires District Director approval) and the service provider in response to the individual needs of young people in the facility. In these cases, the pro-rata payment of non-client specific costs is made at the start of the quarter.

Where a residential vacancy has not been planned, (subject to FACS contract manager approval) these vacancies can be requested to be purchased during the reconciliation by the contract owner.
Adjustments to OOHC placement service levels

Levels of use of the purchased placements will be closely monitored by FACS.

Where a service provider has ongoing vacancies and is unlikely to make up the under-delivery in consequent quarters, adjustment to the contracted service levels in the PLA and SDS will be considered as a priority. FACS may also consider redistributing a proportion or all of a service provider’s planned growth placements to other providers, especially in response to changes in Districts’ needs.

Where a service provider is subject to a performance improvement plan (PIP), FACS will consider not proceeding with the implementation of growth placements for the duration of performance improvement.

Re-distribution of growth placements

FACS’ priority is to consider the pre-qualified OOHC service providers for the re-allocation of growth placements in the first instance. NGOs on this list have been assessed through an open and competitive process.

Service System Commissioning has an expression of interest process which supports the fair and transparent process of re-distributing placements to pre-qualified service providers. Where the pre-qualified list has been exhausted, the FACS Procurement Policy Framework (2010) establishes the context for the provision of funding to services.

FACS is currently not considering the establishment of any new non-Aboriginal OOHC service providers.

Adjustment to OOHC service providers current case mix

In response to changes in demand, Districts have the flexibility to adjust the case mix described in an NGO’s service delivery schedule, within the:

- upper limit of Districts placement allocations (including net growth for transition targets)
- limit of total indicative placements and associated funding approved by the Minister for a particular OOHC service provider (allocations are considered state-wide)
- context of the Districts over all transition targets, i.e. the revised case mix should not compromise the District’s ability to deliver their transition targets
- priorities communicated to Districts by the OOHC program managers for funded OOHC placements.

Voluntary OOHC placements

Generally, referrals of children and young people to OOHC-funded service providers will come from FACS. Service providers can also support children and young people that enter OOHC on a voluntary basis.

Voluntary placements are arranged between a parent or guardian of a child or young person and a designated agency. There are no care orders reassigning parental responsibility and FACS is generally not involved.
Voluntary placements can make up to 2% of the total number of a service provider’s actual placement (bed nights) numbers during a quarter. Service providers will need to ensure that voluntary placements are added to the monthly Actual Placement Report for these placements to be considered during the process of reconciling funded placements numbers.

**Cessation of OOHC unit cost payment**

Payment of the OOHC unit cost to a service provider will cease when a child or young person either exits the placement or OOHC is transferred to another OOHC service provider or FACS.

Reasons that determine the end date of payments for OOHC are outlined in Table 2.

**Table 2: Reasons for exits in funded placement and dates for payment cessation.**

<table>
<thead>
<tr>
<th>OOHC exit reason</th>
<th>Dates for payment cessation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restoration</td>
<td>Payment is to cease when the child/young person exits the funded placement with the NGO and</td>
</tr>
<tr>
<td></td>
<td>returns to the full-time care of his/her parent(s). This date should be the placement end</td>
</tr>
<tr>
<td></td>
<td>date recorded in KIDS.</td>
</tr>
<tr>
<td>Guardianship</td>
<td>Payment is to cease on the date of the guardianship order which should be reflected as</td>
</tr>
<tr>
<td></td>
<td>the placement end date in KIDS.</td>
</tr>
<tr>
<td>Adoption</td>
<td>Payment is to cease on the date of the final adoption order, which should be reflected</td>
</tr>
<tr>
<td></td>
<td>as the placement end date in KIDS.</td>
</tr>
<tr>
<td>Young Persons turns 18</td>
<td>Payment is automatically ceased when the young person turns 18 years old. Where approval</td>
</tr>
<tr>
<td></td>
<td>is granted to extend the placement beyond 18 years of age (e.g. HSC completion), the young</td>
</tr>
<tr>
<td></td>
<td>person would need to be manually added in the Actuals Placement Report (KIDS) by the</td>
</tr>
<tr>
<td></td>
<td>Districts.</td>
</tr>
<tr>
<td>Unplanned absence</td>
<td>As described in the paragraph above under the heading, ‘Cessation of OOHC unit cost payment’</td>
</tr>
</tbody>
</table>

**Note**

The profile/timing of planned exits is a critical component of Districts’ planning process as they allow new placements to be referred to an NGO. Where planned exits are not properly considered they can impact on vacancy rates and FACS exposure to the 95% concession.

**Unplanned absences from OOHC placements**

From time-to-time, unplanned absences of children and young people from funded OOHC placements may occur. Where it is anticipated that a child or young person will return to the placement with the service provider, FACS may continue payment of the unit cost for a period of up to four weeks and an additional four weeks in exceptional circumstances without the absence being considered a placement vacancy.

Unplanned absences may include, but are not limited to, when a child or young person:

- has run away and is missing
- is in custody or detention.
Payment of the unit cost for unplanned absences will only occur where there is evidence that the child or young person is likely to return to the placement and the service provider is actively providing case management to the child or young person. Approval for payment to continue is delegated to the District Director.

**Exception supports and placements**

FACS may consider payment of exception supports where additional extraordinary supports are required to maintain a child or young person in a placement. An exception support may be considered if the service provider does not have the capacity, based on the total value of their contract, to provide the additional support. Specific exception supports may be considered when a child or young person is placed in a less intensive placement than what is indicated by the CAT.

Exception placements are time-limited placements that are in addition to a service provider’s contracted placement numbers. FACS may request a service provider to provide an exception placement where:

- the OOHC sector has no capacity to provide a funded placement and FACS does not have a placement
- a child or young person requires a placement outside of a service provider’s model type
- a child or young person can be managed in a less intensive placement but there are no funded vacancies at this level.

As exceptions are premised on the basis of affordability within an NGO’s overall contracted funding. Before agreeing to an exception support or placement, FACS will consider whether the service provider has received additional funding at any point in time as a result of the performance concession being applied. If so, FACS will look at whether the additional funding could be used to cover the cost of the exception support or placement in the first instance.

In regard to exception placements, Districts will also consider whether specific exception supports would enable the child or young person to be placed in an available funded placement. The placement must be less intensive than the child or young person’s assessed need as determined by the CAT.

For further detail, FACS staff and service providers should refer to [exception supports](##).

**Allocation of 5% concession for exceptions**

Given that the 5% concession is a fixed amount, its use should be prioritised for exceptions. The following principles are proposed as the basis for allocating funding arising from the 5% concession. Districts have an important role to play in proposing to either Head Office (as contract manager) or the lead District (PLA owner) on the use of funding. Both the contract manager/PLA owner and local District should make a decision based on a standard set of principles as follows:
1. The NGO should declare an activity is ‘not affordable’ within their current contract before proceeding with an application to FACS and can account for concessional funds retained during the year.

2. Co-ordinated access to funding – for cross District services, the contract manager or PLA owner should coordinate access to any funding from the 5% concession in order to ensure the appointment of funding is planned, consistent and equitable.

3. Short-term commitments, for either exception supports or exception placements, should be prioritised for the use of the 5% concession fee as this is a fixed amount of money and ongoing funding cannot be guaranteed.

4. Long-term exception placement requests should be profiled against program funding where possible.

**Cross-District placements**

Each District’s OOHC contracted placement numbers are determined annually and include baseline placement numbers (point in time), plus growth placements (based on the published transition targets). As the contracted care system must respond to changes in need, where placements transfer between Districts, the associated contracted placement number(s) should follow where possible.

The transfer of OOHC placements between FACS Districts may occur for a range of reasons including:

1. transitioning from FACS placement to an NGO placement
2. moving Districts but remaining with the same NGO
3. moving Districts and changing NGO
4. moving Districts and returning to FACS.

The guiding principles and instructions for operational tasks to help Districts deal with the various scenarios around placement transfer between Districts include:

- co-ordination between Districts – placement transfers are based on co-ordination between the transferring and receiving Districts
- transfer to a funded placement – maximising NGO contract capacity is a priority, in particular where there is a change of NGO.
- contracted placement numbers are based on a child or young person’s location – where a placement is remaining with the same NGO. In the absence of vacancies in the receiving District, the service providers associated Service Delivery Schedule should be adjusted to reflect the change in demand for placements.
- transferring placements back to FACS – where the receiving District does not have the capacity to absorb the placement(s)/budget into their contracted care service system (for 2014/15) the placement should return to FACS in preference to an exception placement.
**Acquittals for OOHC placement service**

As reconciliation of purchased and actual placements occurs on a quarterly basis, OOHC placement service should only be paid for services that they have delivered which in turn should reduce the level of unexpended funding for the financial year.

It is anticipated that there will only be five specific scenarios where unexpended funds may be recoverable from an OOHC placement service provider at the end of a financial year where:

1. the ‘payment on actual placements’ process has not been applied
2. a service provider has received ‘vacancy’ payments for residential services
3. a service provider has received a ‘fee for service’ payment for an Exception Support, which is agreed on the basis that the service cannot provide the additional support with their funded program.
4. a service provider has received a ‘fee for service’ payment above the OOHC unit cost for an Exception Placement.
5. the 95% performance concession has been applied at any point during the year.

**Payments to support adoption**

OOHC placement service providers may be eligible for additional support payments to progress open adoption for children and young people in OOHC for whom they have case management.

Further detail is provided on the [Out-of-home care transition](#) page.