Policy Dialogue

Social Service Delivery in the Commonwealth

*On July 29, 1997, Pioneer Institute sponsored a conference on social service delivery in the Commonwealth. **Joe Loconte**, Deputy Editor of Policy Review, presented the findings of his book Seducing the Samaritan: How Government Contracts Are Reshaping Social Services, which was commissioned by Pioneer in collaboration with the Institute for the Study of Economic Culture. Government contracts, he argues, affect social service delivery in four fundamental ways: by constraining care-giving groups with an overabundance of rules and regulations; through "mission creep" that is, altering the agenda of private agencies; by dictating the smallest programmatic and therapeutic details; and by secularizing spiritually-based providers. Commenting on Loconte's book were the following panelists:*

- ***Peter Berger**, Director, Institute for the Study of Economic Culture, Boston University*
- ***Peter Nessen**, President, NCN Financial Corporation; former Massachusetts Secretary for Administration and Finance*
- ***Peter Cove**, Founder, America Works*

In the following pages, Pioneer Institute has reproduced an edited transcript of the conference.

Peter Berger: The welfare state is in crisis in developed countries around the world. One reason is economic. Very few countries can still afford it. Another has to do with the moral consequences of government sponsored compassion. Neither the political right nor the left have neat formulas to solve the welfare problem. An obvious attempted solution is to privatize social services, or to establish more of a relationship with private providers of human services, which is happening all across the world. It is important to examine the issues in this government/ private relationship, figure out where the problems are and where practical solutions can be found. Joe Loconte's study, although it deals with Massachusetts, has implications that go beyond this state.

Among those who work in this area, there is an understandable fear of lessening government participation in the provision of social services. Most people go into human services to help human beings in trouble. One of the major frustrations of people in this field is that as human services become increasingly bureaucratized, their work shifts from dealing with human beings in trouble to filling out forms in triplicate for a government office with which they have very abstract relations. The liberation of human service providers from the daily burdens of bureaucracy is a worthy goal.

Joe Loconte: The public financing of private human service agencies is now the most important strategy for attacking social problems in America. Massachusetts is a leader of the pack. The state's social service system costs over $7 billion, employs over 26,000 social workers, health professionals and staff, and serves roughly 800,000 clients a year. That is nearly half the state's budget, a third of all state employees, and 13 percent of the state population.

According to a report from Governor Weld's office, this sprawling bureaucracy was not designed, it just happened. A survey of over 350 non-profits in the Commonwealth found that nearly 70 percent of their income flowed from state contracts and other forms of public funding. A spokesman for the state's Council of Human Service Providers says the majority of private non-profits receive more than 80 percent of their revenue from state and federal sources. Even religiously based agencies, usually the most suspicious of government involvement, now rely heavily on public money.

There are four major effects of government financing and oversight on private providers. First, the rules and regulations bog down, penalize and dehumanize caregiving groups. Even for contract veterans, keeping up with reporting requirements can consume a third or more of the workweek. Often the rules and regulations simply violate common sense. Consider the state's Key Program, which offers counseling and support services to about 700 youth daily, most of them in trouble with the law. Most of the program's $15 million budget comes from state and federal sources, which makes the Key Program subject to the federal Americans with Disabilities Act (ADA). Under the ADA, all 40 program sites must be fully accessible to the handicapped. But none of the program's kids are physically disabled. Says Bill Lyttle, a 20-year veteran of the agency, "Our programs are not designed to service handicapped kids. We serve delinquent kids. There are not a lot of delinquent kids out stealing cars in wheelchairs."

A second problem is mission creep, or how the availability of public funds alters the agendas of private agencies. What happens, for example, when an organization devoted to meeting the educational needs of the poor accepts a lucrative contract for child protective services, regardless of whether it has the human resources to do the job? The goals of a government agency may have much more to do with the politics of the day than with the real needs of the community. Kristen McCormack, formerly of the Federated Dorchester Neighborhood Houses, recalls a summer camp contract for Department of Social Service (DSS) children. After years of struggling to help the DSS kids, McCormack told a state official that Federated Dorchester wanted to terminate the contract because it did not fit their mission, and they could not adequately care for the children. The DSS officer reminded McCormack of the $2 million in daycare contracts that her agency also had with the state. Federated Dorchester renewed the summer camp contract.

A third effect is the way government assumes the role of therapist. Federal state agencies may dictate not only a broad philosophy of assistance, but the tiniest details of social programs. They exercise this control in numerous ways, through credentialing and licensing requirements, federal and state regulations of statutes, and the fine print of their contract agreements with private providers. For example, the Massachusetts Association of Approved Private Schools gets state money to educate the mentally and physically handicapped. Department of Education regulations limit providers to operating either a day program or a residential program. If a program director thinks it would be better to place children with adults in private homes instead of in a facility, he cannot do it because private homes do not fit the residential model. Ironically, government initially bought the services of private providers because of their expertise and effectiveness. Now, however, government agencies often predetermine literally all aspects of services to the needy.

Finally, government tends to secularize providers under contract. State regulations and approaches can crowd out religiously based models of care. I asked an official at Saint Francis House, a homeless shelter in Boston, what was Franciscan about the agency since its mission statement now carries no reference to religion. He said, "We've got pictures of Saint Francis in every office." Church state legal doctrine can undercut the integrity of religious providers. From hiring practices to program content, government exerts a powerful tug in its secular direction. To avoid church/state challenges, religious groups are careful to separate their government-funded acts of charity from explicit expressions of faith.

To help the needy in the most humane and effective ways possible, we must do more than describe the problems. The state maintains its grip on private caregivers primarily through the regulatory pen and the contract purse. If we want private agencies to have greater leverage over their own mission and objectives, to be more in tune with the deepest needs in their own communities, we must confront the purse. We can begin by forging new partnerships between non-profits and businesses and corporations. We can use a combination of public and private vouchers to introduce market pressures by placing more decision-making power in the hands of consumers. We can create charity tax credits and reform tax codes to shift social responsibilities to individual taxpayers and help change the culture of giving.

To make private groups the real architects of caregiving, we must also take on the pen. Government regulation and oversight could be bypassed or restrained. We can begin by creating alternatives to licensing rules. For example, recovering drug addicts lacking professional credentials could freely counsel those struggling with addictions. We can make it easier for medical professionals to donate time at neighborhood clinics by reforming liability laws. We can get people out of state custody by allowing independent advocates to serve as sponsors and guardians. We can reward effective programs by paying agencies only if they produce tangible results and letting them decide the best way to do the job.

Legislative action is certainly needed to limit government. But citizen-led initiatives are also essential to reengage ordinary Americans in the project of caring for their neighbors.

Peter Nessen: The relationship between social service providers and the Commonwealth began 20 years ago under the Sargent administration. It started with the Department of Youth Services. The state delegated the delivery of services to a provider network it had created. That network is intact today. An interesting sidebar of the process was that it put a buffer between the state and the client with regard to responsibility and liability. The provider became responsible for the quality of client delivery. The funding did not change, but the responsibility of service delivery and the agent of delivery did.

Providers too often take funding for a program outside their mission because those are the only dollars available. Denying a service delivery may be the best mission statement a provider can make, if the program is in fact undeliverable. For its part, the state tends to content itself with providers who have historically delivered an outcome that fulfilled the state's responsibility, even if that outcome is not always the best professional quality. Sometimes, however, this happens at the cost of the client. The Department of Youth Service program is a good example. It is wrong for a provider of youth services to lose sight of a client when he graduates from the program. The program rotates so quickly that the dollars only provide a revolving door, shooting the client from one provider to the next.

revolving door, shooting the client from one provider to the next.
The provider community has a responsibility to say to the state, "Wait a minute. You are asking for the wrong price, or the wrong program." And provider organizations need to be supportive of each other. It is a shared responsibility. Providers own the cure, the prevention, or the assistance to a client. The state does not have the cure, it has the money. If the provider cannot give the state what it wants, then the state has to listen to what the providers need in order to deliver the programs the state requires.
The state compounds the problem by not systematically looking at its various programs. For example, if the goal of a program is family preservation, why are we happy when the budget shows an increase in the foster care line item? An increase in foster care funding indicates that a program on family preservation has failed and it indicates that even the funder of the service, the Commonwealth, is not always consistent.
Joe's book is exciting but also a bit depressing. Many of the problems that we wrestled with ten years ago are the same, they have only been magnified by the fact that we are not dealing with change in effective and creative ways. We all have a responsibility. None of us can be audiences. We all have to be players in this change.
Peter Cove: How much does it cost the government to keep someone on welfare? What is the cost to the taxpayer? In New York State, it costs between $20,000 and $45,000 a year to keep a mother and two children on welfare. America Works basically asks the government what it is worth in dollars to get someone off welfare. We ask, is it worth $5,000 to get them off for an extended period? The answer has been "yes" America Works has been put to work in the states of New York and Maryland, as well as Indianapolis, Philadelphia, and New York City.
This is how it works: when welfare recipients come to us, we train them for five or six weeks. We then temp them out to a company for a four-month period, during which the company evaluates them. We pay the worker during that period of time, with the intent that the company will hire the person at the end of the four months. The company pays us until it hires the person permanently. When the person has been hired, the government pays us for having gotten someone off welfare.
For the last 35 years, the taxpayers have paid for the process of welfare to work instead of the outcome. Paying for the outcome gives programs a much greater incentive to get people off welfare, and help them stay off. The numbers are very indicative. This year, the state of New York looked at people that America Works got into jobs in 1993. Eighty-seven percent were still off welfare. We are not the only good program out there, but most programs are not paid for outcome.
My criticism of the voluntary sector is that there is a co-dependency between the funding agents and the voluntary agencies to preserve the system as it stands, even though it is not particularly effective. This effort to preserve the status quo is understandable, considering that there is tremendous risk accompanying performance activity. There is risk of capital, because payment is contingent on performance, and often there is no advance. Even with an advance, if you do not perform, that advance goes back to the government. This puts voluntary agencies, not-for-profit, or tax exempt institutions in a tremendously vulnerable position.
Cynically, I also believe that most providers in the welfare-to-work field do not believe that the average welfare recipient can succeed. Therefore, providers do not want to bet their fund balance on that person's success. If a program is not successful, the rule is to double the funding request. The assumption is that the program failed because it was underfunded.
The voluntary sector needs to closely examine its relationship with government, and ask itself what can be done to avoid running ineffective programs merely to stay in business. Another important issue concerns how government goes about getting what it wants. There is the due diligence process of putting out a Request For Proposal (RFP), getting vendors and coming to a decision of who will run the program for what reason. I have been through that experience both in England and New York City and the difference is striking.
Let me describe the process in New York. A year and a half ago, America Works responded to a request for a proposal. A meeting was set up and we went. There are four people sitting there who do not say a word to us. After five minutes, someone pushes the button on a tape recorder, picks up a piece of paper and reads, "Welcome to the Department of Employment. You cannot ask us any questions. We will ask you questions." They ask ten questions that have nothing to do with whether we are going to get someone off welfare. At the end, they thank us and we leave. They never came out and saw our organization. We could have been a sting operation.
Contrast that with the process in England. When the government decides to create a program to get people off welfare, they call providers to a meeting to get the benefit of the providers' advice on what might make sense. Then the government writes a pre-RFP, which they send out to all the providers with whom they had met for comment. They collect the providers' ideas, and within a week they send out an RFP. A week after that, the RFP really reflects the government and the business community's ideas. The RFP comes out and providers apply. A week later, the government puts out a short list. Those not selected are notified that they are no longer being considered. The remaining groups are called in individually and a negotiation is started around programs that goes something like this: "You said you'd go into Manchester, but would you be willing to go into Gloucester?" The government visits the providers' sites and staff. They examine if the

providers apply. A week later, the government puts out a short list. Those not selected are notified that they are no longer being considered. The remaining groups are called in individually and a negotiation is started around programs that goes something like this: "You said you'd go into Manchester, but would you be willing to go into Gloucester?" The government visits the providers' sites and staff. They examine if the program is real and feasible, and can actually produce the promised outcome. At the end of that process, they fund who they think should be funded. They come out with good providers that reflect a program that makes sense.

It is also important to examine the issue of unintended consequences. Are there things that we are doing, that we think are right, that have unintended negative consequences? For example, in New York, homeless shelters are paid per body count, which sets up a perverse incentive. If you are the director of a shelter that is paid for the number of people served, you want to maintain a stable and constant population. You do not want them to leave. When America Works comes in to get people jobs, the shelter is not interested in helping, because then they have to take in people who might be harder to deal with.

Lastly, it was mentioned by Loconte that a public/private, not-for-profit/for profit situation might make sense. In Philadelphia, America Works is joint venturing with the Community Development Corporation (CDC), a not-for-profit. The CDC will own 50 percent of an America Works company. We will own the other 50 percent. Fifty percent of the profits will go to the not-for-profit, for them to do anything they wish to do. The other 50 percent will come back to America Works. This will allow the CDC to do a 100 percent performance based contract, but within the context of a for-profit company that the not-for-profit owns. It is an intriguing model for the voluntary sector to begin to look at areas where government can be changed.