



Active Contract Management: How Governments Can Collaborate More Effectively with Social Service Providers to Achieve Better Results

I. Introduction

Many critical functions of government social service agencies involve contracting with private service providers. Increasing the effectiveness of procurements is therefore essential to improving governments' ability to deliver social services. Often government agencies assume that their role is complete once a contract is signed and shift to a narrow focus on processing invoices and enforcing compliance. However, some of the most important work for government comes during the course of the contract, when real-time improvements to service delivery can drive better outcomes for the people being served. Agencies should use procurement and contracting to establish the foundation for an ongoing collaboration with contracted service providers to strategically improve performance.

Active contract management (ACM) is a set of strategies developed by the Harvard Kennedy School Government Performance Lab (GPL) in partnership with government clients that apply high-frequency use of data and purposeful management of agency-service provider interactions to improve outcomes from contracted services. We have seen these strategies adopted by agencies responsible for child welfare, workforce development, prisoner re-entry, developmental disabilities, and addiction treatment.

Like PerformanceStat, ACM consists of high-frequency, data-informed meetings designed to produce action that improves performance. Where PerformanceStat is often implemented in order to improve core government functions, ACM focuses on collaborations between government agencies and social service providers to improve contracted services. ACM empowers leaders to detect and rapidly respond to problems, make consistent improvements to performance, and identify opportunities for reengineering service delivery systems.

This policy brief describes the problems that ACM aims to solve, discusses the benefits of using these strategies, and outlines elements of effective ACM systems. Examples in this brief draw primarily on the GPL's engagements piloting ACM strategies with state and local governments across the country.

While this brief is focused on how ACM can drive social outcomes, we have seen these same strategies improve results of other government contracts, including for waste collection and road construction.

Piloting Active Contract Management

The GPL has helped more than a dozen government agencies implement ACM strategies as part of its technical assistance, including:

- In New York, the GPL assisted the state in a Pay for Success (PFS) project that provided job training and reentry support services for ex-offenders leaving state prison with the goal of reducing recidivism.
- In Seattle, the GPL collaborated with the city's Human Services Department (HSD) to reorient homelessness service contracts to focus on helping clients achieve stable housing.
- In Rhode Island, the GPL helped the Department of Children, Youth, and Families (DCYF) reprocur and better manage services offered to children and families as part of an agency-wide turnaround effort.
- In Illinois, the GPL worked with the state's Department of Children and Family Services (DCFS), the Department of Juvenile Justice (IDJJ), and local probation departments to expand wraparound services for justice-involved foster youth.

II. How typical government contract management practices fall short

Typical contract management practices fall short in three ways: 1) government agencies do not purposefully attempt to improve service provision, 2) agencies fail to collect and use data to improve the delivery of contracted services, and 3) agencies fail to collaborate effectively with providers to improve outcomes.

1. *Lack of purposeful attempts by government agencies to improve outcomes of contracted services*

Governments often lack strategies for systematically improving the results that contracted services achieve for clients. In our work, we have observed a homelessness services agency that monitors the number of showers provided, without tracking the percentage of homeless families housed; a behavioral health agency that lacks information on how service providers delivering the same outpatient therapies perform relative to one another; and a child welfare agency that provides annual funding to community providers without checking to see how client needs may have shifted.

In these and other governments, contracting is treated as a back-office function, handed off to administrative units focused on compliance and invoicing, which are disconnected from the programmatic objectives of the agency. Staff track billing accuracy and volume metrics in isolation from any performance management activities.

This compliance focus is particularly costly in the context of overly prescriptive contracts, in which time-consuming change orders are needed in order to make even minor operational adjustments. What quality assurance activities exist occur at the case rather than systems level, and often focus on determining whether providers are meeting licensing requirements and basic standards of care. Incidents of poor performance are addressed in isolation, and necessary improvements are specified only in one-off provider-specific corrective action plans. For example, in one agency responsible for providing vocational training to TANF recipients, providers are regularly relicensed without any systematic efforts to address the state's near-bottom of the nation ranking on employment outcomes for this population.

Rarely do agencies look across programs, providers, and internal operations to measure the actual results of service delivery or identify opportunities for the entire system to work better.

2. *Failure to collect and use meaningful data to improve service delivery*

For many government programs, data is not used effectively to monitor, inform, or improve service delivery—the right data is not collected or shared between governments and providers, and data that is collected is not used to drive action.

Lack of data usage often begins with the limited availability of actionable operational data. Often

governments aren't collecting the right data from social service providers. Providers delivering similar programs often report on different data measures. Incomplete, inconsistent, or late data reporting is common when data collection is not prioritized.

Frequently, government administrative data is not shared with providers in a timely manner, so that even the most data-driven providers have trouble accessing information needed to adjust operations. Similarly, data on provider operations is often opaque to government, making it difficult for government to track key operational indicators. This fragmentation hinders attempts to calculate important metrics that require both government and service providers to share data with each other.

In one child welfare agency, providers of maltreatment prevention services were never given access to information about the abuse and neglect outcomes of their clients after their care had ended, substantially impairing their ability to assess program success.

Even when the right data is collected, government officials often fail to use it in a way that can drive management decisions. Contract management offices generally have limited data and analysis capacity. Without available staff that can review data and ask questions to drive operational or practice reforms, provider data is used only retrospectively to validate contract compliance, rather than to make real-time improvements. The data is not used to identify high performing providers or best practices or to inform future policy decisions. When data is published, it is often in aggregate format and offered without interpretation, making it difficult to discern the connection between specific practices and results.

For example, we observed one human services agency that annually published a report showing how client outcomes varied for different types of services received by agency clients. However, raw data about provider-specific results was not shared with the agency's frontline staff so that referrals could be adjusted, nor used by the agency's contracts units to inform award decisions in upcoming procurements.

The failure to collect the right data and use it is incredibly frustrating to both providers and agency staff – who are spending so much of their time reporting and tabulating data that is not being used effectively.

3. *Lack of productive collaboration with service providers*

Often, government does not regularly engage with service providers to assess how service delivery is going or what actions could improve it. Once a contract is negotiated and signed, contact between the agency and providers is focused on compliance with contract terms, invoicing, or responding to emergencies. Contract monitors may conduct annual site visits to ensure adherence to contractual guidelines or licensing requirements, but these visits rarely involve conversations about how performance can be improved.

Performance problems are often addressed punitively resulting in penalties without shared learning. With relationships between agencies and providers often adversarial in nature, few opportunities exist to build the trust necessary for jointly driving reforms.

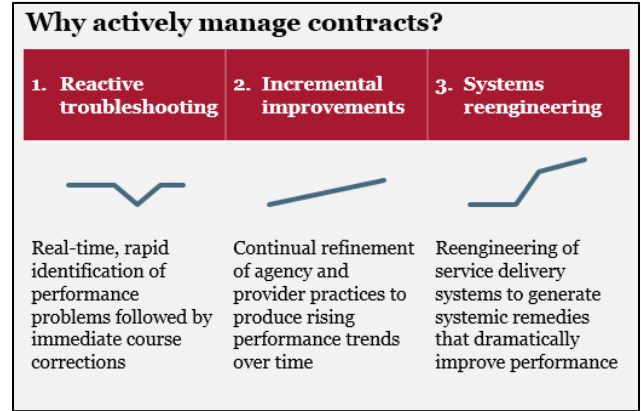
Additionally, providers rarely receive information comparing their performance to that of their peers, which limits opportunities to identify and replicate best practices.

III. Active contract management

Active contract management consists of high-frequency data-informed collaboration between government agencies and service providers that is focused on outcomes. The GPL has been developing and piloting ACM in our work with state and local governments across the U.S. In each of these jurisdictions, the government found that implementing this new approach to managing contracts allowed both the government and providers to solve problems and make sustained improvements in service delivery.

We observe three primary benefits when agencies actively manage the performance of their contracted providers:

- **Reactive troubleshooting:** Real-time, rapid identification of performance problems allows governments and providers to make immediate course corrections. In the New York State criminal justice project, the state and service provider identified an issue with low enrollment numbers at the project's outset, and immediately adjusted referral processes to address this.
- **Incremental improvements:** Persistent attention on critical performance issues can facilitate ongoing improvements in results. This work often involves agency leaders reviewing data on whether programs are doing



better this month than last month (and this year compared to last), and holding agency staff accountable for continually refining their processes and those of their contractors to produce rising performance trends over time. In Rhode Island, persistent attention to conducting clinical child assessments resulted in steady improvements in completion rates, which enabled services to be better tailored to client needs.

- **Systems reengineering:** Often, dramatic performance improvements can be achieved by revising protocols for matching clients to services, partnering with other government agencies to overcome care coordination siloes, or shifting resources to the most effective programs and providers. In Illinois, DCFS recognized a multi-week lag between reporting of circumstances that present risks to youth in state care and notification to the agency. Handwritten reports were faxed to a central office, requiring manual transcription into a state computer database. As of February 2017, the agency was in the process of automating this system, which should decrease the time between the occurrence of incidents and potential referrals to providers for additional services from several weeks to less than a day.

These benefits are made possible by three common components of ACM strategies:

1. *High-frequency reviews of real-time performance data*

Frequently reviewing real-time, operationally meaningful performance data enables agencies and providers to rapidly identify and address service delivery problems before they become ingrained or unfixable. It also creates feedback loops for providers and program staff to assess and refine changes to service delivery.

In the New York State criminal justice project, project partners monitor data on a biweekly basis to determine the percentage of individuals being released from prison attending the first day of job training services. When this percentage falls below targets, immediate course corrections are designed and implemented.

Seattle's HSD is also using performance data to collaborate with providers to monitor progress, detect problems, and resolve issues in real time. Data are reviewed monthly across six key homelessness metrics (including permanent housing, housing stability, and returns to homelessness)¹ that are used to drive towards more effective service delivery.

2. Regular, collaborative meetings between service providers and agencies

Regular, collaborative meetings enable service providers and agencies to swiftly troubleshoot problems, solve specific operational challenges, and identify opportunities for broader systems transformation. These meetings often feature substantial data reporting and analysis, case reviews, and the sharing of best practices.

A typical active contract management meeting has three agenda items: 1) follow up on action items previously identified and a summary of lessons learned to-date, 2) discussion of progress against high-priority performance measures and joint troubleshooting of any problems that may have emerged, and 3) in-depth examination of a topic critical to success but not regularly reported or reviewed.

The Seattle HSD is establishing three types of meetings as part of its ACM strategy:

- Monthly data sharing and contract check-ins between HSD and service providers, where progress reports that measure outcomes on six key homeless metrics for each provider are reviewed in order to troubleshoot program-specific problems.
- Quarterly internal HSD meetings, in which HSD staff assess system-wide performance on key outcomes and indicator metrics to obtain internal consensus on strategic programmatic, funding, and policy decisions to improve results.
- Quarterly executive meetings between HSD and service providers, where homeless population outcomes are reviewed, general trends are

identified, and the relative performance of service providers is used as a learning opportunity.

In collaborative meetings such as those being held in Seattle, reviewing data is often only the start of the conversation. It is important that agencies and providers use lessons from the data to develop and implement strategies to improve outcomes.

It is also often useful to convene groups of providers targeting similar populations to facilitate peer learning, share effective practices, and resolve common barriers. Improvements in service delivery frequently require adjustments by both the referring agency and the service provider, and can be replicated across multiple providers offering similar services.

In Rhode Island, DCYF facilitates monthly ACM meetings with leadership teams from each of its four front-end family preservation service providers. Ad hoc working groups consisting of agency and provider staff meet more frequently as needed to address specific performance issues raised in executive meetings. "This active contract management experience has provided us with new clarity on the goals we are trying to achieve," observed one provider of child welfare services in Rhode Island. "This clarity makes it easier for my staff, and informs how we need to adjust our program model moving forward."

3. Forward-looking performance management roadmaps

Performance management roadmaps help agencies proactively direct in-depth analytical attention toward topics and practices that are critical to success but may not be regularly reported or reviewed. Roadmaps can be organized as running calendars of priorities for deeper investigation. Often additions will be made to follow-up on specific operational challenges uncovered in progress report reviews. Without such roadmaps, it is easy for agencies and providers to inadvertently focus solely on reactive adjustments or incremental improvements, missing opportunities for systems re-engineering.

Some roadmap topics benefit from advanced quantitative analysis, such as regression-discontinuity techniques to evaluate referral decisions. In other circumstances, it may be helpful to pull and review individual case files to inform interpretations of aggregate time series data.

Rhode Island's DCYF has organized ACM according to a forward-looking 12-month performance

¹ For more information, see pages 5-6 of the [GPL brief](#) on the Seattle homelessness services project

improvement roadmap, which is regularly updated. This roadmap contains the plan of which in-depth analyses will occur each month at the ACM meetings. Throughout the course of the first year of ACM, the agency and providers examined family risk factors associated with higher service needs, assessed providers' strategies for identifying and matching families to programming, and determined which service components are most critical for safely keeping families together, among other topics.

When beginning ACM with a new group of providers, it is useful for early in-depth topics to focus on identifying key performance metrics for regular review and generating benchmarks and targets.

IV. How can governments maximize the effectiveness of ACM practices?

Implementing ACM nearly always requires agencies to restructure internal operations in several ways: picking the right measures to track, using data to drive action, creating a culture of partnership to improve performance, and elevating the status of contract activities.

- ***Select the right measures to track:***

Choosing appropriate measures for regular attention is a critical first step in transitioning provider reporting requirements from compliance to performance. When agencies track activity measures, they should choose indicators that are linked to successful service delivery, such as time from referral to service enrollment, program take-up and completion rates, and spending per client. For example, for services designed to stabilize individuals in crisis, reaching clients within hours of referral can be the difference between hospitalization and successful diversion to outpatient care.

Medium and longer-term outcome metrics, such as recidivism rates, are critical to track as well. Input metrics, such as meetings conducted or staff-hours billed are rarely helpful for assessing provider performance.

Once measures have been selected for tracking, agencies and providers should jointly identify benchmarks against which performance trends can be contextualized. A combination of historical, peer, and best-practice targets are helpful in determining performance goals.

- ***Use data to drive action:***

Data should be used to identify the right problems, creatively craft solutions, and subsequently drive sustained action. Dashboards, which enable regular attention to a small set of metrics, are often helpful but rarely sufficient without active interpretation and pre-meeting analysis of operational implications. Generating real understanding requires a capable analyst to look at data, contextualize it in relation to program operations, and ask questions about it to drive a reform. However, it can also often be as simple as examining why a performance trend has (or hasn't) changed from the previous period, or why one vendor has a different client mix than another.

Rhode Island DCYF discovered that families who regularly participated in family preservation services for at least 3 months were half as likely to experience subsequent child welfare involvement compared to those who completed less than 3 months of service.² Based upon this insight, providers created a handout to help convince newly referred families to engage in services.

Supplementing analysis of aggregate performance data with in-depth review and discussion of individual case files is often critical to correctly interpreting the aggregate trends. Reviewing a small number of cases from a mix of clients with good and poor outcomes can often distinguish among alternate explanations for performance trends and point the way to the right implementation changes.

In some cases, it can be helpful to have multiple providers learn from each other based on relative performance. For example, six providers partnering with Illinois to expand wraparound services for justice-involved foster youth review weekly data on success engaging families in team meetings. Providers who ranked lower actively seek out those who ranked best to learn from them on how to improve their performance. Frontline staff from all six providers also regularly meet to share best-practices and brainstorm solutions to barriers to care.

- ***Create a collaborative performance management culture:***

It is important to develop an active contract management culture that encourages a collaborative

² Further analysis suggested that this difference was not simply the result of better functioning families being more likely to agree to services.

partnership with providers and shared ownership by government for improving client outcomes.

Thoughtfully considering the frequency, timing, structure, and attendees of regular meetings to maximize productivity is critical. The tone set by agency leaders should be constructive rather than punitive, as the focus should be on generating solutions toward the common goal of improving service delivery. In one jurisdiction, the program director of a provider participating in ACM reflected on this, saying, “Our program supervisors appreciate the chance to do deep dives in collaboration with agency staff – it’s no longer us versus them.”

Commitment by agency leadership is also critical. Regular executive attention to provider results throughout the life of the contract – and not just when problems arise – demonstrates to providers that performance improvement is an agency priority. If major barriers arise, it is helpful to have robust existing relationships between executives in order to resolve problems as quickly as possible.

Similarly, agencies should create mechanisms for frontline staff to immediately elevate provider performance problems to ACM staff and agency leadership. For example, one agency is considering an online tool through which frontline caseworkers can report to the contracts unit any problems accessing transportation, clothing, and other contractually required resources. Data generated from these reports will help the agency detect common issues with specific providers, develop strategies to address these problems, and assess the success of remedial actions. Agency data and evaluation units should regularly engage with front line staff to get their suggestions for which processes could most benefit from deep dives during active contract management meetings.

- ***Regularly share government administrative data with providers:***

It is as important for agencies to share government administrative data back with providers as it is for providers to consistently report high-quality data to agencies. Regular sharing of government information about what happens to clients after they complete provider services, for example, enables providers to learn and adjust service delivery operations.

Some agencies establish joint management information systems in which the same database is used by the government for maintaining administrative records and by providers for tracking day-to-day client management and service delivery. In Seattle, HSD and homelessness providers have

access to the same database, enabling each to generate the same performance reports.

Other agencies chose to share administrative data with providers by regularly generating reports from agency datasets; however, if not automated, sustaining this practice requires ongoing staff attention. Alternatively, linking a small portion of payment to one or more outcome measures for which providers don’t otherwise have access institutionalizes these data feedback loops for providers without requiring additional government capacity.

- ***Elevate the status of procurement and contract management activities:***

Adequately resourcing agencies’ contract management functions is critical for improving provider performance. Contract managers must be perceived both internally and externally as senior leaders responsible for driving a key part of the agency’s mission. For example, to oversee its active contract management practice, Rhode Island’s DCYF established a Contracts and Compliance unit that reports to the director’s office.

To fully implement ACM practices, staff will also need to have time and training to effectively review performance data, flag problems, and work with providers to implement any necessary changes. Staff must be empowered to work across agency units to access information, breakdown barriers, and influence change.

Since active contract management is time intensive, agencies may need to streamline other contract office work to free up time for performance work. Seattle’s adoption of active contract management for homelessness services was paired with a consolidation of contracts that significantly reduced invoicing and change orders.³

Additionally, training current contract managers or hiring a new type of employee to actively manage contracts may be necessary for building organizational capacity. For example, Rhode Island conducts workshops to teach agency employees how to use provider data to detect, diagnose, and respond to unexpected performance trends.

Seattle HSD considered whether it should hire dedicated staff responsible for the fiscal monitoring of contracts to allow contract managers to solely focus on performance improvements or add contract

³ For more information, see page 5 of the [GPL brief](#) on the Seattle homelessness services project

managers so that each could handle both fiscal monitoring and performance for a smaller case load. Other jurisdictions separate contract compliance and performance management duties to allow specialization and to more fully leverage the technical capabilities of data-fluent staff.

V. Questions on Spreading and Sustaining Active Contract Management

As we continue to help governments implement ACM, we are testing solutions to questions about spreading and sustaining this practice.

How can active contract management be spread across an entire agency when resources are unavailable to sustain this high-intensity approach for every contract?

Agencies will need to prioritize which contracts are important enough to employ the full set of ACM techniques. Vendors who are delivering high impact services or new services, vendors who are at a high-risk of running into obstacles or have had historically poor results, and vendors whose contracts are large in dollar value or in complexity should be prioritized to receive the most attention.

One way to reach a broader audience with scarce resources is by using performance improvement sprints, which focus brief but intensive attention on a rotating set of contracted providers. Sprints aim to solve a more limited set of performance issues than what would otherwise be included in an agency's performance improvement roadmap.

Alternatively, a select set of universal performance metrics could be required across all vendors. One way to do this is to link a portion of payment for services to one or more common indicators of results, such as sustained employment for a certain period following referral to services. Linking even a very small amount of payment to results ensures that data collection will be sustained throughout the period of the contract.

How can agencies provide necessary technical assistance to support providers when performance gaps emerge?

Many contracted service providers, especially those providing health and human services, lack sophisticated data, finance, or strategy capabilities of their own. While ACM can often help these providers identify opportunities to improve service delivery, it does not provide the in-depth support necessary for providers to wholly revamp internal operations.

There are a few options for agencies to support providers when performance gaps emerge. Some agencies connect contracted providers with third-party capacity building resources such as the U.S. Small Business Administration or local business associations. Others are exploring how to give providers access to resources available to state agencies, such as technical assistance organizations or Lean process improvement consultants.

While we are unaware of any examples, agencies might also experiment with joint data and analysis training for government contract managers and provider program leaders.

What is the potential role of funders in requiring reporting around coordinated outcomes metrics?

Many service providers receive philanthropic funding in addition to government contracts. Philanthropic grants typically include reporting requirements on metrics that are disconnected from those that government agencies prioritize through ACM.

Philanthropies have an opportunity to coordinate with government to require consistent reporting around coordinated outcomes metrics in a way that allows government, providers, and philanthropy to identify successes, pinpoint challenges, and work together to improve services.

VI. Conclusion

Government too often assumes that responsibility for achieving outcomes is handed off to providers once a service is contracted out. To achieve effective delivery of social services, government must maintain its share of responsibility for results during the period of service delivery and be an active participant in refining systems to improve client outcomes. ACM offers government a set of strategies for undertaking these partnerships with providers. These strategies can be an important part of a broader results-driven contracting effort to improve the results achieved with contracted dollars.⁴

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⁴ For more on reforming procurement practices, see the GPL's [policy brief on Results Driven Contracting](#).