

**Analysis of Foster Care Costs
from the Family Treatment
Drug Court Retrospective
Study**

San Diego County, California

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The cost data used in this report were collected by NPC Research, and the foster care utilization data were collected by Children and Family Futures under the direction of Nancy K. Young, Ph.D.. The conclusions expressed herein are the findings of NPC Research and do not reflect the official position of CSAT, any other part of the U.S. Department of Health and Human Services, or the U.S. Department of Justice.

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EXECUTIVE SUMMARY

The Substance Abuse and Mental Health Services Administration's Center for Substance Abuse Treatment, with support from its Federal Partners, is conducting a four-year prospective evaluation of Family Treatment Drug Courts in four sites, including San Diego County. San Diego's model of a Family Treatment Drug Court is called the Dependency Court Recovery Project (DCRP). The San Diego component of the evaluation includes a cost-benefit study of the DCRP foster care costs based on data previously collected in a retrospective study comparing a sample of 50 individuals from the Dependency Court Recovery Project (combining Dependency Drug Court and Substance Abuse Recovery Management clients) with a sample of 50 similar clients from a pre-DCRP period. It is important to note that this analysis focuses only on a comparison of the costs and savings associated with foster care usage; costs associated with the implementation of the DCRP are not included in this study, but will be included in a subsequent cost-benefit study.

The policy questions answered include the following:

1. What are the costs associated with foster care usage under the Dependency Court Recovery Project?

The total cost of the DCRP sample for emergency shelter care, psychological evaluations, drug testing, case management, counseling, and foster and group home support was \$1,150,304.

2. What were the costs associated with foster care utilization under the child welfare system prior to the implementation of the Dependency Court Recovery Project?

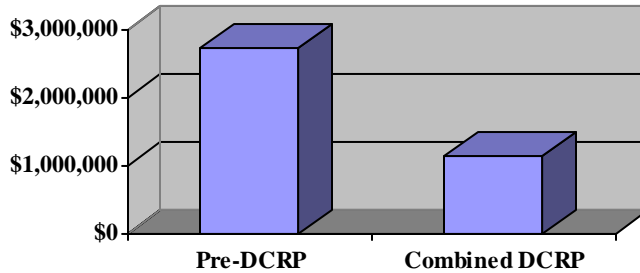
The total cost of the pre-DCRP sample for emergency shelter care, psychological evaluations, drug testing, case management, counseling, and foster and group home support was \$2,730,806.

3. What were the cost savings due to decreased foster care utilization?

There was a total estimated cost savings of \$1,580,502, or a 58% reduction in total foster care costs.

Figure 1 below presents a visual representation of these results.

Figure 1: Total Foster Care System Costs



The results were positive for all of the major components of the foster care system as indicated in Table 1 below.

Table 1: Foster Care System Cost Components for the DCRP and pre-DCRP Groups

Service	Pre-DCRP Sample	Combined DCRP Sample	DCRP \$ Versus Pre-DCRP	DCRP % Versus Pre-DCRP
Emergency Shelter	\$701,057	\$145,733	- \$555,324	-79%
Foster Home Support	\$642,344	\$340,998	- \$301,346	-47%
Group Home Support	\$930,372	\$199,550	- \$730,822	-79%

The two samples used in this analysis were drawn from different time periods (the pre-DCRP sample was from the years immediately prior to the implementation of ASFA, and the DCRP sample was drawn from the years immediately after ASFA implementation). The authors did not collect these samples and other collateral data were not available to conduct a more sophisticated analysis (e.g. a time series approach), and therefore we were not able to isolate the effects of the introduction of the DCRP program. Thus, it is not possible to know with certainty that the cost reductions were caused solely by the introduction of DCRP. Nonetheless, the cost improvements are striking and it is likely that the introduction of the DCRP model had a substantial effect on the cost results described here. These reductions are substantial and occur in almost every system cost component.

Introduction

The Substance Abuse and Mental Health Services Administration's Center for Substance Abuse Treatment, with support from its Federal Partners, is conducting a four-year prospective evaluation of Family Treatment Drug Courts in four sites, including San Diego County. The San Diego component of the evaluation includes a cost-benefit study of the Dependency Court Recovery Project (DCRP), its model of a Family Treatment Drug Court. The prospective evaluation will build on the work of a retrospective evaluation of the Dependency Court Recovery Project. The previous evaluation examined administrative data on a sample of families enrolled in the DCRP in comparison to a sample of families with child welfare cases prior to the start of the DCRP.

On November 18, 2002, the authors participated in a conference call with representatives from San Diego as well as individuals from the Department of Social Services in Sacramento to discuss the cost-benefit component of the study. As a result of this call, CSAT agreed to conduct two activities during the Spring of 2003:

1. Provide a limited in scope cost analysis of specific data from the retrospective study (specifically, foster care cost savings); and
2. Create a design for the cost-benefit component of the prospective study.

The first section of this document reports on the cost analysis of retrospective study foster care data, and the second section presents a design for the cost-benefit component of the prospective study.

Cost Analysis of Retrospective Study Foster Care Data

Policy Questions

The current analysis answers the following policy questions:

1. What are the costs associated with foster care usage under the Dependency Court Recovery Project?
2. What were the costs associated with foster care utilization under the child welfare system *prior* to the implementation of the Dependency Court Recovery Project?

3. What were the cost savings due to decreased foster care utilization?

San Diego's Dependency Court Recovery Project

San Diego County employs a countywide, two-tiered system. The county's Dependency Drug Court is one component of an overall system reform effort that began in 1998 called the Dependency Court Recovery Project. The county is serving every substance-abusing parent involved with the child welfare system in this system-wide reform; each of these parents is provided intensive recovery management services through SARMS (Substance Abuse Recovery Management System), which is the first tier of the model. SARMS workers provide case management services to each client, and all clients are assessed and referred to appropriate treatment. Those clients that are noncompliant in SARMS are offered the second tier of the system, which is the Dependency Drug Court. Clients in the Dependency Drug Court receive even more intensive case management and services.

Transaction Cost Analysis (TCA)

The central approach to the study of costs and avoided costs used in this analysis of San Diego foster care data is NPC Research's adaptation of Transaction Cost Analysis (TCA). The Transaction Cost Analysis approach views a family's interaction with publicly funded agencies as a set of transactions in which the family utilizes resources contributed from multiple agencies. It is an intuitively appropriate approach to conducting costs assessment in an environment such as the child welfare system, which involves complex interactions among multiple taxpayer-funded organizations.

Integral to the modified TCA approach used here is the identification of the key transactions that occur within a program or system process. Transactions are those points within a system where resources are consumed and/or change hands. In other words, each time a client has contact with the system, a transaction occurs, similar to when an individual buys groceries at a supermarket. Transactions are identifiable, measurable outcomes of such systems and are characterized by clearly understood activities and activity-related costs. This modified TCA approach to cost evaluation differs from the traditional form of TCA in that it carefully identifies the level of resources used by each agency and also incorporates indirect costs (both agency support and jurisdictional

overhead costs) with the direct costs to get a more complete picture of the resources used for each transaction.

Reflecting its roots in organizational and institutional theory, the NPC modified approach to cost analysis begins with an understanding of the type of organizations and institutions that are arranged to meet important public needs. It recognizes that the delivery of services frequently involves linkages among jurisdictions and agencies. These systems are particularly evident in populous urban areas. In the case of state or large county and municipal organizations, linkages among various agencies within a single jurisdiction can be complex.

The system analysis, and transactional, institutional and unit cost data developed in the process described above provide jurisdictional and agency policymakers, managers and practitioners with a complete picture, in cost terms, of the operation and value of inter-jurisdictional/interagency programs. The modified TCA approach presents micro-level (e.g., agency cost contribution) and macro-level (e.g., program system cost) information.

Methods

Overview of Cost Elements

For this limited in scope cost analysis, we focused on identifying the costs associated with just one area of transactional costs for families involved with the child welfare system: foster care. Therefore, we have not employed the full TCA methodology. The full methodology will be employed in the prospective cost study, as described on page 13 of this report. Instead, for the current analysis, we employed the following steps to determine foster care costs.

First, in order to determine the specific system resources being used, it is necessary to collect this information at the individual participant level. The current analysis utilizes the retrospective evaluation data collected in San Diego. Data were collected on 50 individuals with cases *prior* to the implementation of the DCRP (pre-DCRP group), 50 SARMS individuals, and 50 Dependency Drug Court individuals. While the retrospective data collection included a number of data elements, the current analysis focuses only on days spent in out of home care (emergency shelter, foster homes, and group homes).

Cost information regarding the San Diego County foster care system was gathered through interviews and extensive electronic communications with the representatives of San Diego County's Children's Services Division of the Health and Human Services Agency ("Children's Services") most familiar with the costs and activities involved with foster care. See Appendix A for a list of individuals interviewed.

NPC's TCA approach includes an identification of all agency activities that support public service system transactions and the financial and other resources that support such activities. As a result, as a first step in the identification of the costs associated with the San Diego County foster care system, the authors consulted with Children's Services representatives to specify the key activities involved in the delivery of foster care services. The following key activities, with a brief description of each, were identified:

Polinsky Children's Center – The A.B. and Jessie Polinsky Children's Center ("PCC") is the emergency shelter for children in San Diego County. PCC provides services to children who have been physically, sexually, and or emotionally abused, medically or physically neglected, and/or have no parent or guardian. PCC includes six residential cottages, an infant nursery, medical clinic, school, library, cafeteria and extensive recreational facilities. It accommodates up to 217 children. The facility is operated by a staff of over 300. Over 400 children are brought to PCC each month, resulting in an average daily population of over 150. Below PCC is referred to as "emergency shelter."

Psychological Evaluations – Children's Services provides psychological evaluations on an as-needed basis to parents and children involved in its system of foster care. Psychological, psychiatric, neuro-psychological, psycho-educational and other evaluations are recommended and used only when case managers determine that they may be helpful in determining the existence of, or the severity of, pathologies; assessing the potential for reunification; and, the design of treatment plans. Evaluations may enhance the case manager's assessment of the case and assist the Dependency Court's decision-making process. Psychological evaluation services are provided through a combination of County staff and contractual services.

Drug Testing – Drug testing is often mandated by the Court to determine whether drug treatment is necessary for family reunification and/or to monitor progress in drug treatment programs.

Counseling – Counseling is offered to assist family members in learning new behaviors to improve the probability that children can remain safely in the family home or return to the family home. Children’s Services has a memorandum of understanding with a private organization to provide the services of clinical psychologists, mental health clinicians and other professionals for counseling services.

Caseworkers – Caseworkers, referred to as “Protective Services Workers” in San Diego County, investigate child abuse and neglect allegations, assess risk, determine if removal from the family home is necessary, develop case plans, arrange in-home services, and participate in court hearings on behalf of children. During the period of the entrance of the comparison sample into the child welfare system (1996/1997) a monthly average of 472 full-time equivalent case worker positions managed a monthly average of 16,339 cases — an average caseload of approximately 35 per case worker. During the period of the entrance of the SARMS and Dependency Drug Court samples into the child welfare system (1999/2000) a monthly average of 554 full-time equivalent caseworkers managed a monthly average of 17,135 cases — an average of 31 cases per caseworker. The cost of caseworkers below is indicated as the cost for “case management.”

Foster Home Support – Children who the court determines cannot be maintained in their homes and require out-of-home placement are referred for placement in foster homes. San Diego County operates a system that recruits and trains foster parents, licenses their homes, provides financial support to foster parents and makes other temporary or permanent placement arrangements for children who require more intensive care. The cost indicated below for foster home support is for payments to foster homes.

Group Home Support – Group homes provide the most restrictive out-of-home placement option for children in foster care. They represent options for children with

significant emotional or behavioral problems. San Diego County contracts for group facilities that provide 24 hour care and supervision for children in a structured environment that includes services provided by staff employed by the group home licensee. Group home services include substance abuse and mental health treatment, minor parent and infant programs, and vocational training. Like other activities pursued by Children's Services in the context of its foster care program, the primary objective of group homes is to support efforts toward reunification of children with their biological families.

Over the course of the extensive in-person interviews and electronic and telephone conversations between the authors and Children's Services staff referred to above, it was determined that the costs of the services associated with the above activities would be a fair representation of families' exposure to the San Diego County foster care system. To this end, Children's Services staff provided to the authors administrative records of caseloads, full-time equivalent staffing, personal services costs and other operating costs from which average daily costs for each of the service dimensions could be constructed.

Calculating Costs

To capture the total "transactional" and "institutional" cost consequences of transactional activities, agency and jurisdictional overhead cost factors should be added to the direct costs. Fortunately, the costs that Children's Services identified for each of the activities that support its foster care system were "fully-loaded." This means that they included the agency and jurisdiction-level administrative support/coordination and management oversight cost factors that the authors would normally add to the direct transactional costs.

The authors and Children's Services staff identified the actual costs of each of the activities of San Diego County's foster care system for the 1996/1997 and 1999/2000 time periods. However, in the interest of enhancing commensurability in comparing costs between the two periods, the 1996/1997 cost factors were adjusted to reflect changes in the San Diego Consumer Price Index (CPI). As a result, actual 1996/1997 cost factors were increased by 11.7%.

The Retrospective Study in San Diego County includes data on 50 “cases” in each of the samples. The definition of a “case” is an individual parent who is exposed to the child welfare system. However, each case typically involves more than one child who is named in the case and who is exposed to the activities supported by the operation of Children’s Services. The cost per case that was identified included the total cost associated with the services consumed by the parent and all children included in the case. The total number of days of emergency shelter, foster care, and group home usage for each case in the Retrospective Study was multiplied by the average daily cost of these services. Individual level data on all other services (psychological evaluations, drug testing, counseling, and case management) were not available (e.g., we did not have data on the number of counseling sessions for each parent in the samples) and therefore we used an average per-case cost (as determined with Children’s Services staff).

The pre-DCRP group differs from the SARMS and Dependency Drug Court groups in two important ways. First, because, by definition, their cases began prior to the implementation of the DCRP, more time elapsed between the start of these cases and the time data were collected than for the other two groups. As a result, more data were available on the pre-DCRP group than on the other two groups. Second, parents in the pre-DCRP group had significantly more children under the age of six than the SARMS and Dependency Drug Court groups, and it is these younger children who are most likely to utilize the foster care system. Therefore, in the analyses reported below, we have controlled for both length of case and number of children under six.

The Dependency Drug Court is the second tier of the DCRP, and only those parents most in need of intensive services enter this tier. Thus, individuals in Dependency Drug Court are a subset of the larger SARMS population. Approximately 7-10% of individuals who enter SARMS eventually transition into the Dependency Drug Court. Therefore, for the analyses presented below, we report on costs for a combined SARMS and Dependency Drug Court group (weighting the costs to reflect a 90%-10% combination of SARMS and Dependency Drug Court individuals); this combined group is more comparable to the pre-DCRP group, which would have included both the easier (SARMS-like) and the more hard-core (Dependency Drug Court-like) cases. In addition, we report on the costs

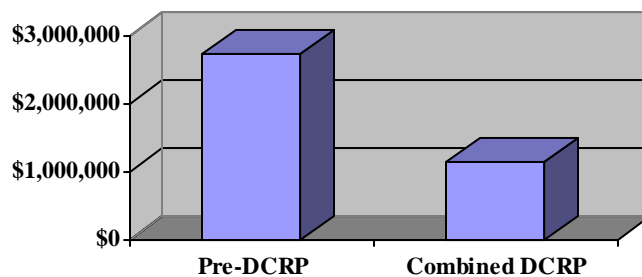
for the two treatment groups separately in order to illustrate the costs, and cost savings, associated with each tier of the DCRP.

Results

Total Sample Cost Comparisons

The total cost of the pre-DCRP sample for emergency shelter care, psychological evaluations, drug testing, case management, counseling, and foster and group home support was \$2,730,806. The total cost for the combined DCRP treatment sample was \$1,150,304, for a cost savings of \$1,580,502, or 58%. The total cost of the Dependency Drug Court sample alone was \$2,010,106. This is a reduction in cost of \$720,700, or 26%, as compared to the pre-DCRP sample. The total cost of the SARMS sample alone was \$1,139,538. This is a reduction in cost of \$1,591,268, or 58%, as compared to the pre-DCRP sample. The cost reduction for the combined DCRP treatment sample is similar to that experienced by the SARMS sample alone due to the fact that the SARMS sample makes up 90% of the combined DCRP treatment group.

Figure 1: Total Foster Care System Costs



Service Element Cost Comparisons

In Table 1, the total foster care, group home, and emergency foster care for the combined DCRP group are compared with the pre-DCRP sample. As can be seen in the table, the pre-DCRP sample had significantly greater costs than the combined DCRP group, resulting in substantial cost savings. Because the pre-DCRP group was drawn from cases several years prior to the DCRP group's cases, more data were available for this sample, and we therefore had to control for the length of cases in order to compare the two

groups. However, because our analysis controlled for length of case, and because we the cost estimates for case management, psychological evaluations, drug testing, and counseling were based on the length of cases, these cost elements were identical for both groups. While these costs are not shown in Table 1, these costs were included in the total foster care system costs discussed above. Our analysis indicated that for each sample, the total cost for psychological testing was \$41,728, the cost for drug testing was \$9,219, the cost for counseling was \$6,793, and the cost for case management was \$418,251.

Table 1: Foster Care System Cost Components for the DCRP and pre-DCRP Groups

Service	Pre-DCRP Sample	Combined DCRP Sample	DCRP \$ Versus Pre-DCRP	DCRP % Versus Pre-DCRP
Emergency Shelter	\$701,057	\$145,733	- \$555,324	-79%
Foster Home Support	\$642,344	\$340,998	- \$301,346	-47%
Group Home Support	\$930,372	\$199,550	- \$730,822	-79%

Table 2 displays the results for the Dependency Drug Court and the SARMS samples separately. Both samples have lower foster care, group home, and emergency foster care costs than the pre-DCRP sample, resulting in cost savings. Since Dependency Drug Court serves clients who have failed in the SARMS phase of DCRP, these clients have more severe problems and consequently the savings are smaller than for the SARMS clients.

Table 2: Foster Care System Cost Components for the Dependency Drug Court and SARMS Samples

Service	Pre-DCRP Sample	Dependency Drug Court Sample	Dependency Drug Court \$ Versus Pre-DCRP	Dependency Drug Court % Versus Pre-DCRP	SARMS Sample	SARMS \$ Versus Pre-DCRP	SARMS % Versus Pre-DCRP
Emergency Shelter	\$701,057	\$558,159	-\$142,898	-20%	\$147,973	-\$553,084	-79%
Foster Home Support	\$642,344	\$491,514	-\$150,830	-24%	\$324,079	-\$318,265	-50%
Group Home Support	\$930,372	\$525,500	-\$404,872	-43%	\$221,231	-\$709,141	-76%

Case Level Cost Comparisons

Table 3 summarizes our findings of the comparative average cost per case for the pre-DCRP group as compared to the combined DCRP group, the Dependency Drug Court group, and the SARMS group. As can be seen in the table, the average case in the pre-DCRP sample cost a total of \$54,616. The average case for the combined DCRP group cost a total of \$23,006, which represents a reduction of \$31,610, or a 58% savings. In the Dependency Drug Court sample we found an average cost per case of \$40,202– a reduction of \$14,414 or 26% as compared to the pre-DCRP sample. We found an average cost per case in the SARMS sample of \$22,791, a reduction of \$31,825 or 58% compared to the pre-DCRP sample. The combined DCRP group and the SARMS group experienced similar cost reductions due to the fact that the SARMS sample makes up 90% of the combined DCRP group.

Table 3: Case Level Cost Comparisons for the DCRP and pre-DCRP Groups

	Pre-DCRP	Combined DCRP Group	Dependency Drug Court Group	SARMS Group
Cost per case	\$54,616	\$23,006	\$40,202	\$22,791
\$ Compared to pre-DCRP		-\$31,610	-\$14,414	-\$31,825
% Compared to pre-DCRP		-58%	-26%	-58%

Conclusion

The two samples used in this analysis were drawn from different time periods (the pre-DCRP sample was from the years immediately prior to the implementation of ASFA, and the DCRP sample was drawn from the years immediately after ASFA implementation). The authors did not collect these samples and other collateral data were not available to

conduct a more sophisticated analysis (e.g. a time series approach), and therefore we were not able to isolate the effects of the introduction of the DCRP program. Thus, it is not possible to know with certainty that the cost reductions were caused solely by the introduction of DCRP. Nonetheless, the cost improvements are striking and it is likely that the introduction of the DCRP model had a substantial effect on the cost results described here. These reductions are substantial and occur in almost every system cost component.

Prospective Study Cost-Benefit Design

The prospective cost study will provide us with an opportunity to utilize the TCA methodology to assign costs to the full range of child welfare system, SARMS, and Dependency Drug Court transactions. Thus, we will be able to calculate the costs and savings associated with the entire Dependency Court Recovery Project as compared to more traditional child welfare models. The types of transactions that we will cost include the following:

- Court hearings;
- Drug court appearances;
- Substance abuse assessments;
- Substance abuse treatment;
- Toxicology screens;
- Case management;
- Out-of-home placements;
- Reunifications;
- Long-term foster care;
- Terminations of parental rights;
- Adoptions; and
- Subsequent CPS reports and investigations.

We will identify the agencies and individuals involved with type of transaction as well as

the resources utilized by each agency. Data on the resources used for each transaction include the amount of time used in the transaction itself, as well as time used in preparing for that transaction and time used in tasks that occur in consequence of the transaction. For example, a SARMS Recovery Specialist may spend time preparing for a hearing, spend time at the hearing itself, and then may spend time after a hearing writing up case notes and performing other activities as a consequence of the hearing. Other resources used for transactions, besides agency staff time, include materials used in a transaction such as paper or urine cups.

However, in order to determine the specific system resources being used by program participants and the cost outcomes for those same participants, it is necessary to collect this information at the individual participant level. The individual level data used for the cost study are identical to the data gathered for the overall prospective evaluation. We will have administrative data on a total of 460 families involved with the Dependency Court Recovery Project between 1999 and 2005 and will contrast these data with data collected on 400 families with substance abuse issues involved with more traditional child welfare case processing in up to three comparison counties¹. These individual-level data will provide us with the frequency of each transaction (e.g., how many drug court appearances occur for each drug court participant).

Costs will be assigned to each transaction. Cost information will be gathered through interviews and extensive electronic communications with court, child protective services, treatment, district attorney, and public defender staff members most familiar with the activities involved with each of the above-named transactions. The transactional activities will be described and the questions will focus on the duration of each activity and the numbers and types of personnel involved. For example, for the transaction of a drug court appearance, individuals will be asked the duration of a typical drug court session, the amount of time they take preparing for these sessions, and if there are any other staff whose time is used in support of drug court sessions.

¹ The potential comparison counties are San Bernardino, Alameda, and Contra Costa Counties.

The cost of these activities will be gathered in three forms: (1) the hourly direct cost (usually labor cost, such as staff salaries, including fringes and benefits), associated with the agency staff members specifically involved in the activities related to each transaction; (2) support cost (usually as a percentage of direct cost) in the form of the agency or department overhead; and, (3) jurisdictional overhead cost (usually as a percentage of direct cost). The research staff will combine the direct transactional cost with the support and overhead costs to generate total per hour, per activity, and per transactions costs. The information used to generate the cost data will be verified by key operating and financial management personnel.

The costs calculated for this study will include the following four cost results.

- a. Cost per transaction
- b. Costs for the DCRP process transactions
- c. Costs for the comparison counties' process transactions
- d. Cost savings

a. Cost Per Transaction. The costs incurred by each agency in terms of direct costs (staff time and materials) and indirect costs (support costs and overhead calculated as a percentage of the direct costs) involved in a transactional cost area will be combined to create a cost for each agency for each transaction. The costs for each agency will then be added together to get a total cost per transaction. For instance, in the case of the cost of drug court sessions, the per hour cost for courts, child protective services, district attorney offices, public defender offices, and treatment agencies will be combined to generate a total per hour cost for drug court sessions.

b. Costs for DCRP Process. The costs for the DCRP will be calculated by simple addition of the costs per individual for every transaction. This will result in the total cost of the program for every individual. The average of these individual costs is the average cost per DCRP participant.

c. Costs for the Comparison Counties' Process. We will be collecting detailed cost information only in San Diego County, not in the comparison counties. *However, we*

will be collecting detailed utilization data from the comparison counties, and can apply San Diego's cost information to this data. Thus, we will determine what the comparison county process would cost had it been the process used in San Diego in lieu of the DCRP. To calculate the costs for the comparison counties' process we will use the same method described for the DCRP process: all transaction costs will be summed for every individual. The average of these individual costs is the average cost per comparison individual, had the comparison individuals and the comparison process been used in San Diego. In this way, San Diego will be able to determine what the county would have spent processing substance abusing parents through the child welfare system if the county had not implemented the DCRP².

- d. Cost Savings.** The cost savings will be computed by finding the difference between the average comparison and DCRP per-participant costs. A positive number will indicate a cost savings due to DCRP, and a negative number will indicate a loss.

² We will conduct some limited in scope investigations in the comparison counties in order to determine whether their programmatic environments differ in such a substantial manner to make the importation of comparison county data to the San Diego cost environment suspect. For example, we will determine whether any of the comparison counties have practices and procedures that differ significantly from those of the other counties, and if so, the data on child welfare system families in that county may not be an accurate reflection of what San Diego would have done in the absence of the DCRP. That county's data, therefore, would not be used for this cost analysis.

Appendix A: Individuals Interviewed During Cost Data Collection

Rosemary Capobianco, Assistant Deputy Director, Policy and Program Support Division, County of San Diego Health and Human Services Agency

Andrew Pease, Departmental Budget Manager, County of San Diego Health and Human Services Agency

Dalton Lee, Principal Administrative Analyst, Children's Services Division, County of San Diego Health and Human Services Agency

Debbie Ordonez, Principal Administrative Analyst, County of San Diego Health and Human Services Agency