



STRATEGY BRIEF

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January 2026

How have residential providers transformed their business models to prioritize what's best for children?

In the effort to [end the need for group placements](#), service providers play an important role in elevating and advancing family- and community-based settings for children in foster care. A shift away from institutional settings can be challenging to undertake, however, especially for long-time providers with roots in residential services.

Private providers of group placements historically have been viewed as pillars in their communities, offering life-saving help to young people. They have been partners in answering the call of child protection agencies that believed they needed residential group settings for children because they did not have enough appropriate family-based settings available. In many cases, these institutional settings operate on large campuses and the providers may not yet have a vision for how the property can be repurposed to benefit the community.

Despite these challenges, more providers are [shifting away from institutional-based foster care](#) and embracing more community- and family-based settings, using [a variety of high-impact strategies](#). In doing so, they not only are experiencing improved outcomes for children and families, but often find themselves financially stronger and better positioned for the future than they were before they made the shift.

Prioritizing family- and community-based care

The [harms of group placement](#) are well documented. In 2014, an American Orthopsychiatric Association statement by leading child development researchers affirmed that living in a group setting denies children the opportunity for healthy attachment with a parental figure, is too often used as a living arrangement rather than a clinical intervention, and is likely related to an increase in challenging behavior.¹

The voices of young people also have shed light on the harms of group placement. [Away From Home](#), a groundbreaking 2021 report by Think of Us, summarizes the results of interviews with 78 young people across 30 states who had one or more institutional placements. The youth consistently described these settings as prison-like, traumatic, punitive, and unfit for healthy child and adolescent development.

The national consensus about the harms of group placements ultimately influenced the passage of the federal [Family First Prevention Services Act](#) in 2018. This law created additional requirements to ensure that residential treatment is used only for young people who need short-term, clinically indicated, trauma-informed therapeutic intervention. It also provided a funding stream designed to prevent the removal of children at risk of foster care, further affirming the priority of family- and community-based placements, and keeping families safely together whenever possible.

Across the country, child protection agencies and their community partners are not only trying to end the need for group placements, they are also providing more upfront supports to families in order to prevent the need for family separation and foster care in the first place. For example, jurisdictions are testing new approaches such as providing voluntary services to families reported to the child protective services hotline but screened out for intervention. Communities also are directing universal support services to families in neighborhoods with high incidences of child welfare involvement.

Given the systems shift to more upstream support for families, foster care providers that once delivered residential programs as their primary service and business model now have an opportunity to diversify and therefore support a broader range of children and families within their communities.

Key strategies

Most residential providers that partner with child protection agencies appear to understand and embrace why family- and community-based care should be prioritized. They may lack a roadmap, however, for how to transition their business model away from group placements.²

The following strategies are drawn from interviews with providers that are working on this transition.³ While some have completely eliminated group placement as part of their service continuum, others are on a path to make sure that the residential treatment they do provide is rare, short-term, and therapeutic.

Align values and desired outcomes

For many residential providers, the move away from group placements began when leaders recognized that their programs no longer aligned with organizational values or achieved preferred outcomes for children and families. At [KVC Kansas](#), the organization's foundational value was stated overtly: "Children grow best in families." Further, when making decisions about children in its care, KVC directed its staff to ask: "What would you want for *your* child?" Over time, the striking disparity between KVC's core values and the reality of group homes and residential treatment centers — where children often stayed too long and struggled to return home or find a permanent family — became increasingly evident.

KVC Kansas therefore commenced a transformation toward family- and community-based services that was anchored in its guiding principles. In its first transitional steps, KVC initiated a small group home model to replace its larger institutional settings mode of operation. KVC leadership soon realized that even small group homes could not provide the same stability and connection that families do. Over time, a strong internal and board-level consensus emerged that children need to be in families, not in group home settings.

As a result, kinship care became a central priority for KVC. Today, more than 50% of foster care placements for children in the care of KVC Kansas are with relatives or kin, ensuring stronger family connections and a greater sense of belonging.

The results of this transformation have been dramatic. In 1999, about 30% of children in foster care referred to KVC were placed in residential programs. Ten years later, **that number dropped to 4%**, and

those placements typically were short-term stays for specialized acute psychiatric treatment. Today, only a small number of children in KVC's care are in group settings, and those placements are reserved for youth with significant mental or behavioral health needs that cannot be met in a family environment.

“Making decisions based on child- and family-centered core values is the key to improving outcomes and driving organizational stability, innovation, and growth. This priority leads to the understanding that what's good for children and families also happens to be good for organizations.”

—Jason Hooper, President & CEO, KVC Health Systems

Elevate the focus on outcomes

Many of the providers that have taken a hard turn away from institutional settings did so after studying the outcomes for children in those placements. [Stanford Sierra Youth & Families](#) in **California** has a history rooted in an orphanage model. In 1900, Jane Lathrop Stanford donated her family mansion to house children who were not able to live with their families. The orphanage evolved to community group homes in the 1980s as a place for children to reside before transitioning to live with families. Agency staff, however, noticed that many of the youth were transitioning from the group homes without a permanent family. After the agency added community wraparound to its foster care service array in the late 1990s, it collected outcomes data for the youth served in the group homes versus the community-based wraparound program.

Stanford Sierra's shift away from group homes was prompted by a close look at the data, which showed that children living with families did better in school, had better relationships with peers, were involved in more extracurricular activities, and had better emotional regulation. Those living in family-based settings also were more likely to return safely home or secure another permanent home through adoption.

In 2005, Stanford Sierra's leadership presented the data to their board. While some board members who were not interested in breaking with historical tradition chose to leave their posts, the board ultimately decided to **close all of the agency's residential and group homes** and deepen the organizational focus on community-based wraparound and mental health services, along with family foster care. Today, Stanford Sierra Youth & Families offers multiple services including therapeutic behavioral health, foster care, treatment foster care, family finding, wraparound, and peer support. The focus is on supporting the entire family and ensuring the young people it serves achieve permanency through safe reunification or adoption.

Decline opportunities that do not align with family-based values

Multiple leaders from provider organizations that are making (or have made) the transition away from residential settings emphasized the importance of standing their ground when presented with opportunities that would take them backward — not forward — on creating more family- and community-based support opportunities for families. [Brightpoint](#) in **Illinois** decided that its 45-bed residential treatment program no longer fit with its new strategic direction, and subsequently went down the path to prioritize upstream support programs.

This transformation occurred despite the state urging Brightpoint not only to keep its residential focus but also open another unit for youth exiting psychiatric residential treatment facilities. Standing its ground, the provider returned its \$7.2 million contract for residential services, changed its name to reflect a new focus, and began exploring program options that would address the root causes of child maltreatment, child welfare involvement, and foster care. “We had a choice,” said Brightpoint’s CEO Michael Shaver. “We could tolerate work we felt was the wrong response to the needs of the children and families we served, or we could live up to our strategic vision by choosing to exit a deep-end service in pursuit of more upstream programming that prioritized strengthening families.”⁴

While still early in this shift, the risk appears to be paying off. Brightpoint has expanded contracts to support families that are screened out of child protective services intervention and began providing support to kin who are caring for children without involvement from the child welfare system. The provider also has been able to use its clinical expertise to provide behavioral health support, including infant mental health services. By transitioning from a residential program provider to one specializing in residential treatment, Brightpoint also has been able to ensure that short-term residential treatment is available for young people who truly need it.

Recruit and support resource caregivers for teens

Some providers that are reducing or eliminating the use of group placements have increased their efforts to recruit resource caregivers,⁵ including kin, who can meet the unique needs of teens and affirm the racial, ethnic, sexual, and gender identities of the young people in placement. They also are finding, engaging, and supporting kin as important connections for young people and who also may be willing to step in as a placement. [The Children's Village](#) in **New York City** began its journey to significantly [reduce its residential placement footprint](#) in 2004.

One of its primary strategies at the time was to shore up recruitment of foster families willing to care for teens. The Children's Village model of recruitment and intensive support for resource caregivers helps to ensure that those young people in residential treatment can exit group placement within six months and transition back into the community. Therapeutic supports, peer support, and empowering youth to identify the type of temporary caregiver they desire (or identify specific individuals) have led to minimal disruption while within foster care in the Children's Village network. Family finding also is an important practice that Children's Village has embedded into its organizational business model to ensure that whenever possible, young people are placed with and/or connected to their extended family. Of the 250 foster parents working with Children's Village, **51% are kinship caregivers**. These and other strategies have led to a significant reduction in the number of children living in a residential setting operated by The Children's Village: **from 560 children in 2004 to just over 100 in 2025.**

Shore up treatment foster care programs

Treatment foster care is tailored to serve children with severe emotional and behavioral disorders in a family-based setting. [San Mar Family and Community Services](#) in **Maryland** has strengthened its treatment foster care programs to prevent the need to place children in any setting that is not with a family. San Mar, which eliminated its group home program for adolescent girls in 2016, initially established a treatment foster care program primarily for girls who were stepping down from one of its residential programs. When the residential program closed, it continued providing therapeutic foster care, which includes individualized and intensive treatment for children who otherwise would be placed in institutional settings. Resource caregivers of children in treatment foster care are trained in trauma and supported by clinicians. They also are encouraged to play an active role with the child's family in planning and carrying out the goals of the permanency plan.

Partner with other systems and the community

Many providers that have changed their business models away from group settings have learned the necessity and benefit to working with other public systems, including schools, behavioral health, juvenile justice, housing, employment services, youth services, early childhood, and public health. Providers leveraged their clinical expertise to approach the other systems with ideas about how to support the children in their care and also considered new opportunities that these systems presented. For many providers who have worked exclusively with children involved with the child welfare system, this may necessitate learning the language of other systems and understanding their priorities. Partnerships with communities also are essential. Partners such as families, school principals, grassroots organizations, and faith leaders not only understand what families need, but also can help identify service gaps that need to be filled.

As The Children's Village moved away from a residential service model, for instance, it has capitalized on its history of providing evidence-based programs, including [multisystemic therapy](#), [dialectical behavioral therapy](#), and [functional family therapy](#), to leverage funding from other systems. It also has become involved

in developing affordable housing for young people and families to address the housing insecurity that often leads to child welfare intervention, among other poor outcomes.

Hire peer mentors

Peer advocates for children and families bring invaluable lived experience that allows them to build trust and engage children and families in ways that traditional staff often cannot. At [Sycamores](#) in California, these advocates have played a critical role in transforming outcomes for children in residential care. In 2005, Sycamores served over 100 children across multiple residential programs, with an average stay of 41 months. Today, that population has **dropped to 16 youth** in a single residential treatment center, with an **average stay of 5.3 months**. This dramatic shift is largely credited to the integration of [parent partners](#) and [youth peer mentors](#) across all programs — residential, community-based, school-based, and wraparound.

These advocates are empowered to:

- Influence treatment planning using their lived experience.
- Champion family voice and choice.
- Ensure that services remain family-driven, youth-guided, and focused on permanency.

Importantly, parent and youth partners remain involved after discharge, supporting aftercare and helping prevent re-entry into residential care. Other organizations, such as The Children's Village and Stanford Sierra, have adopted similar models with success — demonstrating that hiring peer mentors is not just a best practice, but a proven strategy for reducing reliance on residential placements.

Re-envision the use of residential treatment campuses

Residential campuses and group homes sit on valuable real estate that is expensive to maintain and, in some cases, difficult to sell. Providers that are ready to shift away from residential placements need to re-envision how these buildings and homes fit into a new service delivery model. San Mar recently issued a request for proposals to remodel a former group home building into apartments for young working adults, including accompanying wraparound services, to support their transition out of care.

The Children's Village has repurposed one of its cottages as a space for [Bravehearts](#), a group of young people who advocate for more responsive policies for young people in foster care. Other providers may want to offer family visitation centers, family support centers, family-based residential substance use disorder treatment programs (which may be supported through the federal Family First Act), or staff offices.

Double down on prevention

In the process of transforming their business models away from residential placements, many providers are now providing primary prevention services in communities. These efforts are intended to get at the root causes of child maltreatment, such as social isolation, challenges meeting the basic needs of children, lack of education about child development, and a lack of economic mobility. Primary prevention programs not only are more cost-effective than residential programs, but also allow providers to reach many more children and families in need of community support.

“We serve many more kids and families than we ever did in residential services for much less money, much less staff, and we are getting better long-term outcomes.”

—Keith Fanjoy, CEO, San Mar Family Services

The Children's Village created [Circle of Dreams](#), a family enrichment center in the Bronx that is run by community members and designed to build community and social connection. Offerings include men's groups, youth groups, parent circles, and arts and culture programs. San Mar's [Bester Community of Hope](#) is a neighborhood resource aimed at improving outcomes for children and families through programs that

support social connections, build parental resilience, and offer concrete supports. Both initiatives were designed in tandem with the community, and the services offered aim to be responsive to what families say they need to succeed.

Create a financial plan to divest from group placement

Shifting a business model toward family- and community-based care can be challenging. "Providers who want to shift away from group settings have to get out of the mindset of contractual work and being funded solely by child welfare," said Jeremy Kohomban, president and CEO of The Children's Village. "They need a significantly more diverse funding model that gives them flexibility to do really innovative things."

While all the providers interviewed for this brief say their organizations are more financially stable now that they have made the shift, there inevitably is a phase in the process where the change feels risky.

Leadership at the provider agencies expressed the importance of being willing to live with that risk.

Providers shared different financial approaches that served them well, including:

- Attract private funding from foundations that offer the flexibility to test innovative ideas and invest in staff.
- Diversify funding streams from multiple systems, such as behavioral health, education, juvenile justice, and public health.
- Merge with other agencies that are financially strong and need the clinical and other expertise that comes from having provided residential services.
- Invest in models that are used by multiple systems, such as evidence-based programs, family finding, wraparound, and in-home parenting services.
- Sell a program to another provider that can provide treatment-level care, and use the money to invest in more prevention services.

Key considerations

Every provider interested in making the shift from residential to family- and community-based services will take a different approach, but some key questions they can ask in developing their strategies include:

1. What data can you present to your board, staff, public systems, and the community to make the case for ending the need for group placements?
2. Do you want to eliminate residential programs or strive to create a much smaller residential footprint with treatment-level clinical care, shorter lengths of stay, family involvement, and aftercare for the small number of children who need it?
3. How can you diversify your service continuum to support better outcomes for children and families, such as primary prevention services, in-home family services, and high-quality foster care?
4. What systems other than child welfare may need the clinical and other expertise that your staff may have developed working in residential services?
5. What role can evidence-based programs play in shifting to family- and community-based care?
6. What roles can youth and parent peer advocates play in supporting children and families?
7. What options are available to repurpose shelters, group homes, and residential spaces for children, families, and staff? If repurposing is not an option, what are options for selling the space to gain flexible resources to finance the diversification of your service continuum?

8. Is merging your program with another agency an option to continue working with children and families while reducing or eliminating your reliance on residential service?

"To successfully make this shift, you have to be ambitious, experimental, and willing to take risks."

—Jeremy Kohomban, President and CEO, The Children's Village

¹ Dozi, M., Kaufman, J., Kobak, R., O'Connor, T.G., Sagi-Schwartz, A., Scott, S., Shauffer, C. Smetana, J., van IJzendoorn, M.H., Zeanah, C.H. (2014). [Consensus statement on group care for children and adolescents: A statement of policy of the American Orthopsychiatric Association](#). *American Journal of Orthopsychiatry*, 84(3), 219-25.

² In this brief, "group and institutional placements" refer to those types of out-of-home placements in the child welfare/foster care context. There still is a need for a limited amount of short-term, clinically indicated, medically necessary treatment delivered in a high-quality group setting through the behavioral health system.

³ The content of this brief was informed by interviews with Chad Anderson, Chief Clinical Officer at KVC Health Systems in Kansas, June 23, 2025; Jason Hooper, CEO of KVC Health Systems in Kansas, June 18, 2025; Paula Corrigan-Halpern and Emily Medere, Brightpoint in Chicago, July 28, 2025; Mike Shaver, President and CEO of Brightpoint in Chicago, Illinois, August 19, 2025; Keith Fanjoy, CEO of San Mar Family and Community Services in Maryland; Joe Ford, Chief Program Officer at Sycamores in Los Angeles, August 22, 2025; Dr. Laura Heintz, CEO of Stanford Sierra Youth & Families in Sacramento, May 16 2025; and Jeremy Kohomban and team, President and CEO of The Children's Village in Dobbs Ferry, New York, March 18, 2025;

⁴ Shaver, M. (2023, December 4.) [Is your nonprofit's mission obsolete — or just ready for a new direction?](#)" Blue Avocado.

⁵ The term "resource caregivers" is used in this context to recognize the expansive role that foster parents and kinship caregivers play in advancing the well-being of children and families, serving as a wide-ranging resource to both versus solely fostering a child.

Casey Family Programs

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