



WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

Memo No. 3

TO: MEMBERS OF THE SPECIAL COMMITTEE ON CHILD WELFARE PROVIDER RATE IMPLEMENTATION

FROM: Laura D. Rose, Deputy Director; and Anne Sappenfield, Senior Staff Attorney

RE: Child Welfare Provider Rates in Selected States

DATE: November 12, 2009

This memorandum provides information on how selected Midwestern states establish rates paid to foster care and residential care providers for children in the child welfare system.

ILLINOIS

Illinois has levels of group homes and residential care to serve children with mild, moderate, and severe needs based on an assessment of each child.

According to Roger Thompson, Illinois Department of Children and Family Services (DCFS), approximately 90% of residential care in the child welfare system that serves children with typical child welfare needs is considered a performance residential program and is subject to a hybrid rate-setting system.

Under its administrative rules, DCFS must reimburse providers through payments made according to standard reimbursement levels that are specifically negotiated through contract. There are several parameters for rates that are set forth in the administrative rules. First, for for-profit agencies, profit is categorized as an administrative cost and is limited to 9% of the total contract amount. Administrative costs may not exceed 20% of the costs for other services. In addition, fringe benefits above 25% of salaries may not be reimbursed by DCFS. [Section 356.50 at 89 Ill. Reg.]

According to Mr. Thompson, for the performance residential programs, DCFS sets the staffing ratios and agrees upon the salaries for various types of employees with the provider. The food and laundry, building, and administrative costs are based on median historical costs and are capped. This calculation of reimbursable costs provides the provider with an amount of money that the provider has discretion to use. According to Mr. Thompson, unless there are performance or other issues or if the

money is not spent that is identified when the provider is audited, DCFS does not strictly manage the provider's allocation of the funding.

OHIO

Ohio has a county-administered child welfare system. The counties directly contract with all placement resources, including foster care, group homes, and residential care, and negotiate a per diem rate individually.

The Ohio Department of Job and Families Services (ODJFS) sets ceiling reimbursement rates for each provider. The reimbursement ceiling amounts are established using a report that each service provider must submit every year setting forth the provider's actual cost of operation. The ceiling reimbursement amount does not represent the actual payment made to the provider. The actual reimbursement is subject to negotiation between the provider and the county purchasing the services. The reimbursement ceiling amounts are used by ODJFS as the basis for reimbursement of allowable Title IV-E costs to public providers for the placement costs of Title IV-E-eligible children. [*JFS 02911 Single Cost Report Instructions*, Rev. 7/2/09.]

For foster care, ODJFS has established statewide standards for per diem foster care maintenance rates. The minimum per diem foster care maintenance rate is \$9.00 and the maximum is \$170.00. The state has also set maximum statewide additional rates for foster care maintenance of difficulty of care. For special needs, the maximum per diem rate is \$100.00. For exceptional or intensive needs, the maximum per diem rate is \$200. For emergency family foster care the maximum per diem rate is \$200. Finally, there is a ceiling on annual payments for clothing (\$3,000) and personal incidentals (\$3,000). In addition, there is a ceiling on graduation expenses of \$1,500. [*Family, Children and Adult Services Procedure Letter No. 178*, ODJFS.]

Ohio's Title IV-E reimbursement ceilings for April 1, 2009 through March 31, 2010, is available at: <http://jfs.ohio.gov/ocf/ReimbursementCeiling091020090825.pdf>.

IOWA

In Iowa, the Department of Human Services (DHS) has established a weighted average rate for services providers offer. The weighted average rate was established in 1997. In 1998, existing providers had a one-time opportunity to negotiate their rates with DHS. Iowa law provides that these negotiated rates may only be changed if there is an across-the-board increase or decrease in rates. [441 IAC 152.3 (1).] According to Jody Lane-Molnari, Bureau of Purchased Services, DHS, since 1998, rates have been increased by a total of 15%, but rates will be subject to a 5% decrease as of January 1, 2010.

Under current law, DHS is only responsible for negotiating rates with a new provider or an existing provider adding a new foster group care service. [*Id.*] The starting point for negotiations is the calculated weighted average for the service. These weighted averages are set forth in statute, as follows:

- Community-level care.
 - Child welfare service, \$8.43 per day.

- Group care maintenance, \$50.16 per day.
- Comprehensive-level group care.
 - Child welfare service, \$10.13 per day.
 - Group care maintenance, \$60.31 per day.
- Enhance-level group care.
 - Child welfare service, \$13.36 per day.
 - Group care maintenance, \$79.55 per day.

DHS requires reports reflecting the costs for new services to determine the cost of newly developed services or services for which no weighted average rate has been established. [441 IAC 152.3 (2).]

The Iowa statutes set forth a rate resolution process. [441 IAC 152.3 b.]

For Medicaid reimbursable costs, providers enter into separate agreements with the Iowa Medicaid Enterprise with the Iowa DHS. [See <http://www.ime.state.ia.us>.]

MINNESOTA

Minnesota uses separate procedures for setting foster care rates and treatment facility rates.

Foster Homes

Minnesota Statutes and rules mandate the use of a written assessment tool to establish the child's level of care for foster care. The "Difficulty of Care" (DOC) assessment tool is required by rule.

According to Deb Beske Brown, Child Safety and Permanency Division, Minnesota Department of Human Services (DHS), the county where the child resides utilizes the assessment tool to determine the child's level of need, from which the foster care rate for that child is established. There is a basic maintenance foster care rate, based upon the age of the child, upon which additional points may be assessed. For ages birth through 11, the daily rate is \$20.57; for ages 12 through 14, the daily rate is \$23.75; and for ages 15 through 18, the daily rate is \$24.48. Additional points may be assessed for each child based on the DOC assessment. Each point is calculated at the daily rate of 22 cents.

Assessments are performed within 30 days of the child's placement into foster care, with periodic re-assessments required.

The Minnesota DHS publishes an annual bulletin. The "Foster Care Maintenance and DOC Rates for CY 2009" Bulletin may be found on the Internet at: http://www.dhs.state.mn.us/main/groups/publications/documents/pub/dhs16_142136.pdf

Residential Facilities

According to Deb Jensen, Financial Operations Division, Minnesota DHS, Rates for residential facilities for youth are set by a negotiation process between the facility and the county where the facility is located. Once a rate is negotiated, the facility and the county enter into a contract. The facility sends in the contract paperwork to the state DHS. Facilities then undergo a quarterly time study, from which the Title IV-E reimbursement rate is calculated. Facilities are also required to submit cost information each year. When the reimbursement rate is calculated, the facilities are allocated a percentage of the rate for room and board, and a percentage of the rate for administration. The per diem rates are published in a quarterly bulletin issued by the Minnesota DHS. If the rate is not listed, that facility is not eligible for Title IV-E reimbursement.

The most recent quarterly rate bulletin may be found on the Internet at: http://www.dhs.state.mn.us/main/groups/publications/documents/pub/dhs16_146223.pdf

INDIANA

Foster Homes

There are three general levels of foster care in Indiana: traditional, therapeutic, and medically fragile. For traditional foster care, Indiana foster parents receive a \$25 per day per diem for the reimbursement of out-of-pocket expenses. There are few add-ons to this rate. This rate is expected to cover most expenses, as described in the attached memorandum.

In 2009, Indiana went through a transition for foster care funding from a county funded to a state funded system. At that time, the method for reimbursing therapeutic foster homes was changed. Whereas before 2009, agencies based their rates on costs, and set their own rates (with the exception of the counties where the Cities of Indianapolis and Gary are located, which used a "level of care" system), the child placing agencies and the Department of Children's Services (DCS) are in the process of developing a process to establish nine service categories. Rates for 2009 were frozen at the 2008 rate level, and agencies will be submitting proposed rates for 2010. The levels of care that are being developed were initially based on an instrument that assessed children's needs; however, this was abandoned due to a discrepancy between the agency and the county assessment of children's needs. Agencies and counties are now trying a different approach to assess levels of care, which is an individualized approach with each family. The Child and Adolescent Needs and Strengths (CANS) assessment tool is being implement within DCS, and will probably not be utilized on a statewide level until the middle of 2010. (Telephone conversations with Christina Morrison, Indiana Foster Care and Adoption Association; and Kathleen Graham, IARCCA, an Association of Children and Family Services, November 11, 2009.)

Residential Facilities

The Indiana DCS contract with residential providers requires that at admission of a child in a facility, the residential provider must administer the age appropriate CANS tool unless an assessment has been completed on the child within 30 days of admission and the residential provider obtains the necessary consents and obtains the assessment. CANS reassessments are required every 90 days by the Residential Provider and at discharge.

The process used in Indiana to establish rates for residential care facilities and group homes for children appears to be similar to the process used in Minnesota. To determine allowable costs for Title IV-E reimbursement, providers are required to complete a cost report and participate in a Random Moment Sampling Time Study.

According to Anson Steele, Indiana DCS, total rates are negotiated between the state and the residential care provider. The cost report form states that approved Title IV-E claimable rates do not affect the negotiated rate that is agreed upon between the State and the provider. The total payment for a day of services is still subject to negotiation between the provider agency and the DCS office.

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Attachment