



Legislative Fiscal Bureau

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May 15, 2003

Joint Committee on Finance

Paper #256

Alternate Care (DOC -- Juvenile Corrections)

[LFB 2003-05 Budget Summary: Page 126, #3]

CURRENT LAW

The residential aftercare appropriation (alternate care) funds the costs of care for juveniles placed in residential care centers for children and youth (formerly termed child caring institutions), foster care homes, treatment foster care homes, group homes and certain other living arrangements. Base funding for the residential aftercare appropriation is \$14,309,000 PR annually. DOC charges counties and the state (for certain serious juvenile offenders) statutory daily rates for juveniles placed in residential care centers, group homes, foster care homes, and treatment foster care homes.

GOVERNOR

Reduce base funding by \$2,274,500 PR in 2003-04 and \$1,796,700 PR in 2004-05 for juvenile residential aftercare, to reflect decreasing population estimates.

Under the bill, the alternate care average daily population (ADP) is projected at 171 in 2003-04 and 168 in 2004-05. The following table shows the statutory alternate care rates for 2002-03 and the rates proposed under the bill for 2003-04 and 2004-05.

	Statutory Rates	Governor	
	1-1-02 thru <u>6-30-03</u>	7-1-03 thru <u>6-30-04</u>	7-1-04 thru <u>6-30-05</u>
Residential Care Centers	\$226.00	\$225.00	\$239.00
Group Homes	135.00	142.00	149.00
Treatment Foster Homes	85.00	88.00	92.00
Regular Foster Homes	43.00	47.00	49.00

DISCUSSION POINTS

1. *Population-Based Adjustments.* The base funding for alternate care (\$14,309,000 PR) is based on an estimated ADP of 199 juveniles in 2002-03. The ADP for alternate care totaled 176.4 in 2001-02. Through March, 2003, the 2002-03 ADP has totaled 164.3.

2. In addition to the alternate care types specified in statute, the Department also utilizes special living arrangements for certain juveniles. These typically involve monitored living situations (dorm-style settings or small apartments) for individuals who are 18 to 21 years of age and still subject to a juvenile disposition, but who are too old to be placed in a juvenile facility. An average cost for these other types of living arrangements is also estimated by the Department in order to budget for the residential aftercare appropriation. Under the Governor's recommendation, an ADP of approximately 4.0 juveniles would be served in these settings annually at an average daily cost of \$72 in 2003-04 and \$80 in 2004-05. In the case of special living arrangements, DOC charges counties and the state for the actual cost of each placement for the serious juvenile offenders.

3. Alternate care is a subset of juveniles receiving aftercare supervision services. Under the bill, it is assumed that about 71% of aftercare juveniles would be placed in some type of alternate care setting (resulting in the ADP projection of 171 in 2003-04 and 168 in 2004-05). This estimate, as well as estimates for the total number of juveniles to be placed in each type of alternate care setting, were based on 2001-02 alternate care data.

4. By utilizing data from the most recent 12-month period [April, 2002, through May, 2003] alternate care ADP can be reestimated at 161 in 2003-04 and 159 in 2004-05. The ADP for each type of alternate care can also be reestimated on the basis of this more recent data. As a result of this revised ADP data, the appropriation requirements for alternate care can be reestimated at \$11,414,600 PR in 2003-04 and \$11,871,500 PR in 2004-05. These recalculated amounts represent a reduction to the bill of \$619,900 PR in 2003-04 and \$640,800 PR in 2004-05, based on the Governor's recommended daily rates.

5. *Rate-Based Adjustments.* Alternate care rates are estimated under the bill by taking the actual average rates paid for each type of care for the first six months in 2002, and applying annual percentage rates of increase (6% for residential care centers for children and youth, 5% for group homes, foster care and treatment foster care, and 11% for special living arrangements) to estimate the 2002-03, 2003-04, and 2004-05 average rates. The estimated 2003-04 and 2004-05 average rates and projected ADP for each type of alternate care placement are then used to calculate the needed expenditure authority for the alternate care appropriation.

6. While the statutory daily rate for each type of placement is a projected average rate, the actual rate charged by each facility within a type of care, for example group homes, can vary significantly. DOC must place juveniles in appropriate settings, but must also balance the needs of juveniles with the budgetary constraints established by the total appropriated funding levels for alternate care.

7. Foster care and treatment foster care settings have minimum monthly rates for care established by statute, with a variety of supplemental add-on payments that are established under DHFS rules. The applicable supplements vary on a case-by-case basis, depending on the needs of the child or juvenile. The statutory minimum and supplemental payment amounts tend to be stable over time, so increases or decreases in state costs for these settings generally reflect changing needs of juveniles, rather than inflationary cost increases.

8. Under the bill, the average daily rates for foster care and treatment foster care are estimated by assuming 5% annual increases in 2002-03, 2003-04, and 2004-05. This approach projects cost increases for the care of juveniles with increasingly complex needs. The cost adjustment appears reasonable. It should be noted that year-to-date costs in 2002-03 for foster care is averaging about \$68 per day, per juvenile, which actually exceeds the projected average daily rates under the bill. This is an indication that the particular needs of juveniles currently placed in foster care is high. However, the ADP for foster care is very low (1.6 juveniles in 2002-03), so the overall budget impact of these costs is manageable.

9. Residential care centers and group homes are required by statute to establish a per client rate for their services and to charge all purchasers the same rate. Daily rates for each facility are established on a calendar-year basis and reported to DHFS, which publishes the rate for each facility.

10. The annual percentage increases for residential care centers (6%) and group homes (5%) assumed under the bill may be reconsidered in light of more recent data. Actual expenditures for alternate care placements by DOC in 2002-03 are available through January, 2003. Expenses for the first six months of this fiscal year (July to December, 2002) would reflect 2002 daily rates for residential care centers and group homes and expenses for one month (January, 2003) would reflect 2003 daily rates. If the January costs are assumed to continue each month through June, an estimate of 2002-03 alternate care costs can be determined. This estimate shows that per person daily costs in 2002-03 would be estimated at \$205 for residential care center placements and \$133 for group home placements. Under the bill, 2002-03 costs for these placements were projected at \$212 and \$135, respectively. These revised projected 2002-03 per-person, daily costs are 3.3% less than the projected 2002-03 costs under the bill for residential care centers and 1.5% less for group homes.

11. A comparison of actual rate changes between calendar years 2002 and 2003 shows that rates increased by an average of 3.4% for residential care centers and by an average 4.1% for group homes. [These calculations exclude several facilities where the rate increase or decrease was so large that it likely reflected a change in programming level rather than an inflationary adjustment.] These lower than anticipated increases may generally be due to the slow economy. For example, the inflationary rate under the consumer price index is currently projected at 1.99% in 2003-04 and 1.86% in 2004-05.

12. This data suggests that the percent increases assumed under the bill may overstate the growth in costs in the 2003-05 biennium. Thus, it could be argued that the projected annual

percentage increases for 2003-04 and 2004-05 should be reduced from 6% to 3.5% for residential care centers and from 5% to 4.5% for group homes and then applied to the newly estimated 2002-03 costs for these types of care.

13. These percentages would generally reflect the increases experienced between 2002 and 2003. These adjustments would result in the following revised daily rates: (a) for residential care centers, \$212 in 2003-04 and \$219 in 2004-05 (as compared to \$225 in 2003-04 and \$239 in 2004-05 under the bill); and (b) for group homes, \$139 in 2003-04 and \$145 in 2004-05 (as compared to \$142 in 2003-04 and \$149 in 2004-05 under the bill).

14. *Summary of Adjustments.* Based on the revised daily rates for residential care centers and group homes, and the modified ADP projections for alternate care settings, the appropriation for alternate care can be recalculated to total \$10,842,600 PR in 2003-04 and \$11,014,700 PR in 2004-05. These amounts would represent a reduction to the bill of \$1,191,900 PR in 2003-04 and \$1,497,600 PR in 2004-05.

15. The potential disadvantage of incorporating these reestimates into the bill would be that alternate care revenue, which is based on the statutory rate, could be less than adequate to cover actual costs, if placement costs for residential care centers or group homes increase beyond the projections (either through actual rate increases or due to greater care and treatment needs of juveniles). The higher rates under the bill would be better suited to deal with this situation, if it occurred.

ALTERNATIVES

1. Approve the Governor's recommendation to reduce base funding by \$2,274,500 PR in 2003-04 and \$1,796,700 PR in 2004-05 for juvenile residential aftercare, to reflect decreasing population estimates. Approve the Governor's daily rates for alternate care settings, as follows:

	<u>Governor</u>	
	<u>7-1-03 thru</u> <u>6-30-04</u>	<u>7-1-04 thru</u> <u>6-30-05</u>
Residential Care Centers	\$225.00	\$239.00
Group Homes	142.00	149.00
Treatment Foster Homes	88.00	92.00
Regular Foster Homes	47.00	49.00

2. Delete \$619,900 PR in 2003-04 and \$640,800 PR in 2004-05 to modify the Governor's provision to reflect reestimated average daily populations for alternate care of 161 juveniles in 2003-04 and 159 juveniles in 2004-05. Approve the Governor's daily rates for alternate care settings, as follows:

	<u>Governor</u>	
	<u>7-1-03 thru</u> <u>6-30-04</u>	<u>7-1-04 thru</u> <u>6-30-05</u>
Residential Care Centers	\$225.00	\$239.00
Group Homes	142.00	149.00
Treatment Foster Homes	88.00	92.00
Regular Foster Homes	47.00	49.00

<u>Alternative 2</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$1,260,700

3. Delete \$1,191,900 PR in 2003-04 and \$1,497,600 PR in 2004-05 reflect: (a) reestimated average daily populations for alternate care of 161 juveniles in 2003-04 and 159 juveniles in 2004-05; and (b) reestimated daily rates for residential care centers and group homes. Approve daily rates for alternate care settings, as follows:

	<u>Governor</u>	
	<u>7-1-03 thru</u> <u>6-30-04</u>	<u>7-1-04 thru</u> <u>6-30-05</u>
Residential Care Centers	\$212.00	\$219.00
Group Homes	139.00	145.00
Treatment Foster Homes	88.00	92.00
Regular Foster Homes	47.00	49.00

<u>Alternative 3</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$2,689,500

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