

## Schedule 13

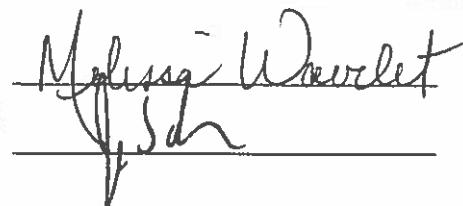
### Department of Human Services

#### Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-14 Child Welfare Provider Rate Implementation - Phase 2

Dept. Approval By:



Supplemental FY 2018-19

OSPB Approval By:



Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation	
Total of All Line Items Impacted by Change Request	Total	\$378,305,027	\$0	\$378,305,028	\$10,350,000	\$10,350,000	
	FTE	0.0	0.0	0.0	0.0	0.0	0.0
	GF	\$203,167,824	\$0	\$203,167,824	\$4,968,000	\$4,968,000	
	CF	\$66,724,431	\$0	\$66,724,431	\$2,070,000	\$2,070,000	
	RF	\$12,981,593	\$0	\$12,981,594	\$0	\$0	
	FF	\$95,431,179	\$0	\$95,431,179	\$3,312,000	\$3,312,000	

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21	
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation	
05. Division of Child Welfare, (A) Division of Child Welfare, (1) Division of Child Welfare - Child Welfare Services	Total	\$378,305,027	\$0	\$378,305,028	\$10,350,000	\$10,350,000	
	FTE	0.0	0.0	0.0	0.0	0.0	0.0
	GF	\$203,167,824	\$0	\$203,167,824	\$4,968,000	\$4,968,000	
	CF	\$66,724,431	\$0	\$66,724,431	\$2,070,000	\$2,070,000	
	RF	\$12,981,593	\$0	\$12,981,594	\$0	\$0	
	FF	\$95,431,179	\$0	\$95,431,179	\$3,312,000	\$3,312,000	

#### Auxiliary Data

Requires Legislation? NO

Type of Request?	Department of Human Services Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact
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#### **Cost and FTE**

- The Department requests \$10,350,000 total funds, including \$4,968,000 General Fund, \$2,070,000 cash funds, and \$3,312,000 federal funds in FY 2019-20 and ongoing in order to implement the provider rate increase as the result of a salary survey and actuarial analysis directed in House Bill 17-1292.
- Cash funds are local county match and the federal funding source is Title IV-E.
- This is an increase of 2.7% over the FY 2018-19 appropriation.

#### **Current Program**

- The Department's Division of Child Welfare (Division) provides services to protect children from harm and assists families in caring for and protecting their children.
- The Division's programs comprise Colorado's efforts to meet the needs of children who must be placed, or are at risk of placement outside of their homes for reasons of protection or community safety.

#### **Problem or Opportunity**

- Pursuant to HB 17-1292, the Department contracted with an independent vendor to perform a salary survey related to the delivery of child welfare services and an actuarial analysis of the costs necessary to provide services at a level required by statute, departmental rule, federal rules and regulations.
- The independent contractor, Public Consulting Group (PCG), submitted a report through the Department to the Joint Budget Committee on April 2, 2018 with a recommended rate methodology. The total fiscal impact of the analysis is estimated at approximately \$52 million. In FY 2018-19, the Joint Budget Committee was appropriated partial funding of \$14,583,334 total funds pursuant to SB 18-254.

#### **Consequences of Problem**

- If the final phases of the provider rate recommendation are not funded then the Department will not be able to implement the methodology recommended by PCG.

#### **Proposed Solution**

- The Department requests \$10,350,000 total funds, including \$4,968,000 General Fund, \$2,070,000 cash funds, and \$3,312,000 federal funds in FY 2019-20 to implement the provider rate increase as the result of a salary survey and actuarial analysis directed in House Bill 17-1292.
- The recommended rates better align to program goals and better outcomes for children.

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# COLORADO

## Department of Human Services

John W. Hickenlooper  
Governor

Reggie Bicha  
Executive Director

FY 2019-20 Funding Request | November 1, 2018

**Department Priority: R-14**

**Request Detail: Child Welfare Provider Rate Implementation – Phase 2**

<b>Summary of Incremental Funding Change for FY 2019-20</b>	<b>Total Funds</b>	<b>FTE</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Federal Funds</b>
Provider Rate Implementation - Phase 2	\$10,350,000	0.0	\$4,968,000	\$2,070,000	\$3,312,000

### **Problem or Opportunity:**

The Department requests \$10,350,000 total funds, including \$4,968,000 General Fund, \$2,070,000 cash funds, and \$3,312,000 federal funds in FY 2019-20 to implement the provider rate increase as the result of a salary survey and actuarial analysis directed in House Bill 17-1292. Cash funds are local county match and federal funds are Title IV-E.

House Bill 05-1084 (HB 05-1084) established a collaborative rate setting process that directed the Department to work with counties and providers on a provider rate methodology. The Department, counties, and providers have met since 2005 and were unable to come to a consensus on a rate setting process.

Senate Bill 16-201 (SB 16-201) mandated the Department convene a group of representatives from the State, counties, the provider community, and the Joint Budget Committee to review the rate setting process for provider compensation. The group was directed to provide the Joint Budget Committee with a report that recommended whether any changes to the rate setting process for provider compensation were advisable and, if so, a process or methodology recommendation. The bill did not require that the group recommend changes to the current rate setting process if it determined that the current rate setting process was the preferred option. This effort resulted in no recommendation.

As a result of no action between the Department, counties, and community providers, House Bill 17-1292 (HB 17-1292) directed the Department to contract with an independent vendor to conduct a salary survey and an actuarial analysis of the delivery of child welfare services, and to develop a new rate-setting

methodology for out of home placement providers. Public Consulting Group (PCG) was awarded a contract through a Request for Proposal solicitation process.

The specific work PCG performed pursuant to requirements of HB 17-1292:

- Perform a salary survey related to the delivery of child welfare services that doesn't duplicate existing efforts that collect public employee salary information and instead incorporates existing information into the overall analysis.
- The study must include information pertaining to federal and state regulations or licensing requirements for each position.
- The study must also include salary surveys that represent employees performing all facets of similar work, utilizing similar knowledge, skills, and abilities for licensed out of home placement providers who have a contract with the Department or a county agency of social and/or human services; child placement agency employees; residential child care facility employees; and county employees involved with the provision of child welfare services.
- Perform an actuarial analysis of the costs necessary to provide services at a level required by state statute, departmental rule, or federal rules and regulations, as appropriate for the families referred, including salary comparisons between licensed out of home placement provider categories and overhead and administrative costs, and determine the extent to which the salary survey should inform the actuarial analysis.
- Develop the rate setting methodology for licensed out of home placement provider compensation by soliciting input from representatives from the Department, counties, licensed out of home placement provider community, and the Department of Health Care Policy and Financing. The methodology must be based on equal representation by counties and licensed out of home placement providers.

To aid in the development of the report and rate methodology, PCG, with the assistance of the Department, convened providers and counties beginning in October 2017 through March 2018 to gather information, data, and input.

The salary survey and actuarial analysis were used to develop a report defining the rate setting methodology, including the process through which the daily rate is determined by the Colorado Department of Human Services, and was submitted to the Joint Budget Committee on April 2, 2018.

#### ***Proposed Solution:***

The Department requests \$10,350,000 total funds, including \$4,968,000 General Fund, \$2,070,000 cash funds, and \$3,312,000 federal funds in FY 2019-20 in order to implement the provider rate increase as the result of a salary survey and actuarial analysis directed in House Bill 17-1292. Cash funds are local county match and federal funds are Title IV-E.

PCG's rate proposal and report includes a rate methodology, actuarial analysis, stakeholder engagement, rate calculations, and fiscal impact. The fiscal impact is estimated at \$52,200,000 and does not include

provider rate increases to any of the same providers contracted with the Department's Division of Youth Services. The Department was appropriated partial funding of \$14,583,334 total funds in FY 2018-19 pursuant to Senate Bill 18-254.

Additionally, the recent passage of the federal Family First Prevention Services Act (FFPSA) of 2018 will require the Department to make significant changes to Colorado's child welfare system, including regulatory and practice changes around the use of congregate care. Specifically, there will be a significant workload impact due to the new Qualified Residential Treatment Program (Q RTP) requirement outlined in FFPSA. The proposed phased-in approach to the provider rate increase prioritizes the implementation of the rates to less restrictive placements for children/youth that will be covered with federal funding.

Data indicates that older youth have an especially difficult path to permanency, with older youth driving Colorado's overall high rates of congregate care. Table 1 illustrates these rates.

**Table 1: Rates of Congregate Care by Age Group, ROM, April 2018**

0-2	3-5	6-8	9-11	12-14	15+	Total
0.3% (n = 4 )	0.3% (n = 2)	4.7% (n = 28)	8.8% (n = 50)	35.2% (n = 216)	47.5% (n = 559)	17.6% (n = 859)

Source: ROM, April 2018

Table 2 illustrates the provider rate increase in a three-step, phased-in approach.

**Table 2: Residential Rate Increase**

	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Federal Funds</b>
FY 2018-19	\$ 14,583,334	\$ 7,000,000	\$ 2,916,667	\$ 4,666,667
FY 2019-20	\$ 10,350,000	\$ 4,968,000	\$ 2,070,000	\$ 3,312,000
FY 2020-21	\$ 27,196,771	\$ 13,054,450	\$ 5,439,354	\$ 8,702,967
<b>Total Rate Increase</b>	<b>\$ 52,130,105</b>	<b>\$ 25,022,450</b>	<b>\$ 10,426,021</b>	<b>\$ 16,681,634</b>

Source: Child Welfare Rate Phase-In Options, Public Consulting Group, July 12, 2018, revised by the Department September 27, 2018.

Cash funds are local county match and federal funds are Title IV-E.

#### **Anticipated Outcomes:**

The rates were developed with certain program goals in mind. For example, the Residential Child Care Facility (RCCF) rate is intended to ensure that an intense level of service is utilized appropriately and for a limited time. Similarly, the foster family rates are intended to better support foster families and the children and youth in their care. The goal is for Colorado to recruit more foster families, and adequately support children and youth in their care so that provider-based out of home settings are used more sparingly and

more in line with their intended therapeutic purpose. Changes in utilization of out of home settings could significantly mitigate the rate increases for out of home placements.<sup>1</sup>

The recommended rates better align to program goals and better outcomes for children. Colorado, like many states, has a shortage of foster families to meet the current level of demand. The foster family rates are intended to better support children and foster families, allowing more children to be served in family-based settings.

#### ***Assumptions and Calculations:***

Using the FY 2018-19 appropriation, PCG developed the rates using a three-year approach to full implementation. The Department is utilizing an allocation process that follow a service type priority order.<sup>2</sup>

Table 3 illustrates the phase-in implementation plan over three fiscal years.

<b>Table 3: Phased-In Implementation Plan</b>			
<b>Service Type</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
Child Placement Agency, Administration	\$ 776,789	\$ -	\$ 9,960,275
Child Placement Agency, Child Maintenance	\$ 6,860,844	\$ -	\$ -
County Foster Care/Kinship Care	\$ 3,672,429	\$ -	\$ -
Group Home	\$ -	\$ -	\$ 2,344,060
Group Center	\$ -	\$ -	\$ 6,650,794
Accredited Residential Child Care Facility	\$ 3,273,272	\$ 10,350,000	\$ 47,195
Non-Accredited Residential Child Care Facility	\$ -	\$ -	\$ 8,194,447
<b>Total</b>	<b>\$ 14,583,334</b>	<b>\$ 10,350,000</b>	<b>\$ 27,196,771</b>

Source: Child Welfare Rate Phase-In Options, Public Consulting Group, July 12, 2018

<sup>1</sup> Child Welfare Services Salary Survey & Actuarial Analysis, Rate Proposal, Public Consulting Group, March 27, 2018, revised by the Department September 27, 2018.

<sup>2</sup> Child Welfare Rate Phase-In Options, Public Consulting Group, July 12, 2018

Table 4 illustrates the Long Bill appropriation and requested funding for FY 2019-20 and beyond.

Table 4: Long Bill Appropriation and Requested Funding for FY 2019-20 Through FY 2021-22										
Line Item:(5) Child Welfare Services	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Medicaid Total Funds	Medicaid General Fund	Medicaid Federal Funds	FTE	Notes
FY 2018-19 Appropriation (HB 18-1322)	\$362,612,599	\$191,117,824	\$67,382,542	\$15,564,853	\$88,547,380	\$15,564,852	\$7,782,427	\$7,782,426	0.0	FY 2018-19 Appropriation 0.0 Amount
Requested Funding (or Spending Authority)	\$10,350,000	\$4,968,000	\$2,070,000	\$0	\$3,312,000	\$0	\$0	\$0	0.0	Amount Requested for FY 2019-20
<b>FY 2019-20 Total Requested Appropriation</b>	<b>\$372,962,599</b>	<b>\$196,085,824</b>	<b>\$69,452,542</b>	<b>\$15,564,853</b>	<b>\$91,859,380</b>	<b>\$15,564,852</b>	<b>\$7,782,427</b>	<b>\$7,782,426</b>	<b>0.0</b>	
FY 2020-21 Annualization of Prior Year Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0	Annualization (FY 2020-21 Request Minus FY 2019-20 Request Amount)
<b>FY 2020-21 Total Requested Appropriation</b>	<b>\$372,962,599</b>	<b>\$196,085,824</b>	<b>\$69,452,542</b>	<b>\$15,564,853</b>	<b>\$91,859,380</b>	<b>\$15,564,852</b>	<b>\$7,782,427</b>	<b>\$7,782,426</b>	<b>0.0</b>	
<b>FY 2021-2022 Total Requested Appropriation</b>	<b>\$372,962,599</b>	<b>\$196,085,824</b>	<b>\$69,452,542</b>	<b>\$15,564,853</b>	<b>\$91,859,380</b>	<b>\$15,564,852</b>	<b>\$7,782,427</b>	<b>\$7,782,426</b>	<b>0.0</b>	

Additional funding for the provider rate increase will be allocated to counties through the allocation model recommended by the Child Welfare Allocation Committee to be effective July 1, 2020.