



COMMONWEALTH of VIRGINIA

COMPREHENSIVE SERVICES ACT FOR AT-RISK YOUTH AND FAMILIES

October 3, 2007

The Honorable Vincent F. Callahan, Jr.
Chairman, House Appropriations Committee
General Assembly Building, 9th Floor
Richmond, Virginia 23219

The Honorable John H. Chichester
Chairman, Senate Finance Committee
General Assembly Building, 10th Floor
Richmond, Virginia 23219

Dear Mr. Callahan and Senator Chichester:

I am pleased to forward to you the attached report required by Item 279L of the 2007 Appropriations Act. This Item requires the Office of Comprehensive Services for At Risk Youth and Families (*OCS*), the Virginia Department of Social Services (*VDSS*) and other stakeholders to examine establishing statewide rates for treatment foster care that conform with federal and state law and to determine the impact on federal, state and local funding. The Act directs *OCS* to report the Governor and the Chairs of the Senate Finance and House Appropriations Committees no later than October 1, 2007.

VDSS took a leadership role on this study due to their expertise on treatment foster care services and their previous work on rate structuring in the adoption subsidy program. The report was developed by *VDSS*. They worked in close collaboration with my Office and other stakeholders.

As you recall, the impetus for this report was the federal government narrowing the definition of case management for treatment foster care services through the Deficit Reduction Act (*DRA*) of 2005, thereby reducing allowable payments under the federal Medicaid program. To ensure compliance with the *DRA*, the Virginia Department of Medical Assistance Services (*DMAS*) implemented required changes effective March 1, 2007. Services provided by treatment foster care providers that were no longer paid by Medicaid were allowed to be reimbursed through the Comprehensive Services Act (*CSA*) program. This change shifted costs from the federal government to state and local governments in the *CSA* program.

Some costs for treatment foster care are appropriate for payment through federal Title IV-E dollars for eligible children. In order to appropriately access these funds, however, standardized definitions and standardized rates based on the needs of children must be developed statewide. *VDSS* is working closely with the federal government on this effort to ensure appropriate use of Title IV-E funds.

During the transition period, State and local governments have had to share the costs for treatment foster care services that are no longer reimbursable through Medicaid. Before this change, State and local governments shared the 50% federal Medicaid match, resulting in payments that were half the regular match rate they are now paying. These costs were shared prior to Medicaid funds being used for these services beginning in 2001.

The FY07 budget provided the projected state share of funds for CSA so that providers and localities would receive the same reimbursement level as before. OCS estimated the annual fiscal impact of this cost shift from the federal government to be an additional \$3.6 million for State government and \$2 million for local governments. In FY07, the estimated impact was \$1.2 million for State government and \$.5 million for local governments due to implementation beginning March 1. These estimates were based on FY 2006 actual treatment foster care expenditures paid through May 2006. The actual costs depend on the number of children served, services provided and funds expended through CSA during 2007 and 2008.

VDSS recommends by July 1, 2008 that they will implement a statewide rate structure to govern the administration of additional daily supervision (ADS) payments to foster and adoptive parents on behalf of the children they foster and/or adopt. They will also complete the development of common terminology for activities currently being performed by treatment/therapeutic child placing agencies and local departments of social services.

VDSS concludes that they will be able to utilize Title IV-E funding to cover more treatment foster care activities at a higher level of reimbursement. While CSA will continue to reimburse the case management portion for children who are not Title IV-E eligible, it is estimated the amount of Title IV-E funds accessed will be significantly larger, thus reducing CSA expenditures. VDSS is now assessing the fiscal impact of using Title IV-E instead of Medicaid for case management and other allowable costs.

VDSS also concludes that a statewide rate structure around ADS payments will allow for the use of Title IV-E for children receiving these payments as part of their adoption subsidies. This will decrease the reliance upon general fund dollars significantly which can then be used to provide services not covered by Title IV-E. This will also continue to encourage permanency for children in adoptive placements.

Please feel free to contact Commissioner Conyers at 804-726-7011 or me at 804-662-9830 should you have any questions regarding this report.

Sincerely,
Kim McGaughey
Executive Director

Attachment

cc: The Honorable Marilyn B. Tavenner, Secretary
Health and Human Resources

Anthony Conyers, Commissioner

Virginia Department of Social Services

Joe Flores, Senate Finance

Report on Establishing Statewide Rates for Treatment Foster Care

PREFACE

The 2007 Appropriation Act (Chapter 847 Item 279 L) requires the Office of Comprehensive Services for At Risk Youth and Families in cooperation with the Virginia Department of Social Services, the Department of Medical Assistance Services, the League of Social Services Executives, representatives from the treatment foster care provider associations, and other state agencies as appropriate to examine the possibility of establishing statewide rates for treatment foster care. In addition, agencies participating in this study should determine any impact that statewide rates may have on federal, state, and local funding.

Report on Establishing Statewide Rates for Treatment Foster Care

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Report on Establishing Statewide Rates for Treatment Foster Care

Executive Summary

The Office of Comprehensive Services (OCS), in collaboration with the Virginia Department of Social Services (VDSS), prepared the following legislative study investigating the feasibility of establishing statewide rates governing Treatment Foster Care (TFC) in Virginia. In order to complete this study, OCS and VDSS formed the Rate Setting Committee (Committee), a group of child welfare stakeholders who represented the Virginia League of Social Services Executives (VLSSE), the Foster Family-Based Treatment Association (FFTA), the Virginia Association of Licensed Child Placing Agencies (VALCPA), and the Virginia Coalition of Private Providers (VCOPPA), the Department of Medical Assistance Services (DMAS), as well as various Comprehensive Services Act (CSA) coordinators and representatives from different divisions within VDSS. Several members of the Committee had also served on the Adoption Subsidy Workgroup which previously studied establishing rates in Virginia.

The Committee studied the rate setting efforts of other states, as well as localities both in Virginia and outside of the Commonwealth. Subcommittees were formed to investigate rate structuring methodologies and the standardization of common terminologies necessary to establish statewide rate structures. These subcommittees reported their findings to the large Committee, which in turn made the following recommendations:

- 1. By July 1, 2008, VDSS will develop and implement a statewide rate structure to govern the administration of additional daily supervision (ADS) payments to foster and adoptive parents on behalf of the children they foster and/or adopt.**
 - A statewide rate structure will allow VDSS to claim Title IV-E reimbursement for eligible adopted children who require ADS payments (currently funded by 100% state dollars).
 - A statewide rate structure will allow VDSS to claim Title IV-E reimbursement for eligible children for ADS payments in treatment/therapeutic foster care (currently funded by state and local dollars through CSA);
 - A statewide rate structure will provide consistency throughout the state in regard to payment amounts for specialized and treatment foster care placements and adoption subsidy payments.
 - A statewide rate structure will serve as a market correction by refocusing competition amongst child placing agencies on services and support to

children and families. Such a correction would be consistent with the original intent of the CSA.

- In early 2008, VDSS will begin piloting the ADS rate structure in selected LDSS and CPAs in order to identify any modifications necessary before full implementation.

2. By July 1, 2008, VDSS will complete the development of common terminology for activities currently being performed by treatment/therapeutic child placing agencies and local departments of social services.

- VDSS is currently developing universal definitions of activities performed by CPAs into Title IV-E reimbursable categories. These categories are: parental payments, administrative costs, case management, and training/recruitment. Title IV-E non reimbursable costs, such as social services and therapy, will be placed in a separate category.
- VDSS is receiving assistance from the federal Title IV-E regional consultant and will seek federal approval of universally defined terms.
- VDSS will disseminate terms to the CPAs and local departments of social services (LDSS) for implementation.
- In early 2008, VDSS will begin disseminating federally approved common terminology to pilot CPAs and LDSS in order to identify any modifications necessary before full implementation.
- Beginning in October 2008, VDSS will study the fiscal impact of using Title IV-E instead of Medicaid for case management and other allowable costs. The results of this fiscal impact study will determine if further rate structuring efforts are necessary.

3. ADS payments shall be based upon the identified needs of the child.

- The selected rate structure will base ADS payments based on the specific needs of foster or adoptive youth.
- The state will continue to investigate the feasibility of a points system as the methodology for determining child specific ADS payments.
- VDSS will research the possibility of adding an additional payment component to the ADS rate for foster and adoptive parents meeting various requirements.

4. The Division of Family Services and the Division of Licensing Programs will work together to establish regulations for TFC and foster care that ensures consistency in the approval process for public and private providers.

- These regulations will use and define terminology, as necessary, that is consistent with the terminology developed as part of the new statewide rate structure.
- These regulations will, as necessary, include other additional rate structure requirements to ensure consistency in how public and private providers approve and manage all types of foster and adoptive homes.

5. VDSS will consider the impact any rate structure may potentially have on local departments of social services.

- Before implementation, VDSS will consider the following potential impacts a rate structure may have on LDSS: creation of additional administrative procedures; the need for Information Technology upgrades; the need for additional training; and any potential hidden financial costs.
- VDSS will also determine if the selected rate structure will require additional audits or compliance reviews for LDSS.

6. VDSS will continue to make the inclusion of a local financial management interface a priority in the development of its new child welfare case management system, ChildWINS.

- In order to create this local financial management interface, a technical solution has been agreed upon by LDSS and VDSS to move forward with the implementation of an Interface Service Repository (ISR). For the first time, a four-way match of client, provider, service, and payment information will be achieved along with state level financial reporting of expenditures and provider payments. This will allow for the routine monitoring of TFC expenditures which will assure that federal dollars are being captured for allowable costs in order to have state and local dollars freed to provide additional services to children and families.

The implementation of these recommendations will allow OCS and VDSS to serve Virginia's youth in a more cost effective manner, without reducing the quality of services and supports currently available.

Report on Establishing Statewide Rates for Treatment Foster Care

Study Mandate

The 2007 Appropriations Act, Chapter 847, Item 279 L states:

The Office of Comprehensive Services for At Risk Youth and Families in cooperation with the Department of Social Services, the Department of Medical Assistance Services, the League of Social Services Executives, representatives from the treatment foster care provider associations, and other state agencies as appropriate, shall examine establishing statewide rates for treatment foster care that conform with federal and state law and shall determine the impact on federal, state and local funding. The Office of Comprehensive Services for At-Risk Youth and Families shall submit a report with recommendations to the Governor and the Chairmen of the Senate Finance and House Appropriations Committees no later than October 1, 2007.

Program Background-Comprehensive Services Act

The Comprehensive Services Act of 1992 (Act) established a statewide framework of service philosophy, blending funding and local decision-making authority in the provision of services to troubled and at risk youth and their families. The Act, based on the nationally recognized system of care model, states that services are to be child-centered, family focused and community based, which is accomplished by establishing a local collaborative structure to support families and children within their own communities. The legislation encouraged the development of creative, cost-efficient and effective services designed to meet the specific needs of an individual child and his or her family.

Many states have created “systems of care” to serve at risk children and youth by establishing local collaborative service and funding decision-making teams and allowing these teams access to some amount of flexible funding. However, Virginia’s Act took a step further in actualizing the model by requiring the blending of eight different funding streams for children into one state pool. Target populations are the children and youth who would have received services through one of these funding streams. All children receiving foster care services, through prevention of foster care, parental agreement, commitment or entrustment to local departments of social services, must receive funding to meet their needs as identified by a local collaborative planning process. Services for children who are placed in special education residential programs or private day programs, or who receive services to prevent a more restrictive educational placement are funded by CSA. A limited amount of additional funding is allocated to local governments to provide services to children and youth with severe emotional disabilities or those involved in the juvenile justice system. All local governments must provide a match to draw down funds from the state pool.

Local Family Planning and Assessment Teams (FAPTs) composed of representatives from community child serving agencies and a parent, meet to collaboratively plan services for each individual child in order to determine the need for CSA funding. All children in treatment or therapeutic foster care are reviewed by their local FAPT and receive services funded by the Act.

Program Background – Treatment Foster Care

Treatment Foster Care (TFC) has been a functioning model in Virginia for decades, with People Places providing therapeutic services to foster homes as early as the 1970s. TFC, often referred to as Therapeutic Foster Care in Virginia, began with the recognition that traditional foster care does not meet the needs of all children, particularly those with emotional, behavioral, and medical special needs. TFC was designed to “bridge the service gap for substantial numbers of youth whose needs fall between the capacities of regular foster care and residential treatment” (Bryant 1).

The TFC model offers a unique blend of service delivery and case management services to foster parents who provide therapeutic care to children with special needs. This blend of services and support exceeds what is offered to regular foster care families and therefore encourages families to work with children who otherwise would be placed in residential settings. Research has shown that the TFC model has yielded good outcomes for challenging children and has been cost effective in the process. For example, in his article “Treatment Foster Care: A Cost-Effective Strategy for Treatment of Children with Emotional, Behavioral, or Medical Needs”, Brad Bryant describes research showing the following examples of the success of the TFC model:

- Effective Outcomes
 - TFC serves very troubled children and youth similar to those placed in more restrictive group settings with equal or better outcomes.
 - TFC provides greater placement stability than regular foster care, reducing the rate of placement disruptions by 20 to 30 percent over regular foster care despite serving a more challenging population.
 - For delinquent youth, TFC has reduced runaways, delinquent peer associations and recidivism by as much as half compared to group care.

- Cost Effectiveness
 - TFC serves youth typically placed in group care at half the cost or less.
 - TFC can prevent or shorten costly residential placements.
 - TFC compares favorably to traditional foster care when all costs and outcomes are considered.

TFC is an integral part of Virginia’s child welfare system and has been for decades. Without the availability of TFC, many of Virginia’s youths would see increased

placement disruptions or placement in expensive residential settings that may not be conducive to meeting their individual needs.

Program Developments Leading to Increased Expenditures

In December 2006, the Virginia Department of Medical Assistance Services (DMAS) notified the Office of Comprehensive Services (OCS) and the Virginia Department of Social Services (VDSS) of impending changes in the case management rate for TFC. The maximum reimbursement in December 2006 for TFC case management to providers by DMAS was a per diem of \$82.00. The federal Center for Medicaid and Medicare Services had permitted Virginia to implement a broad interpretation of “case management” in TFC so many of the activities of providers, such as recruiting and training foster parents, were included in this rate. However, with the implementation of the Deficit Reduction Act of 2005 this broad interpretation would no longer be allowed. Case management would be limited to:

- Assessment of a Medicaid-eligible individual to determine service needs (e.g., taking client history, gathering information from other sources such as family, providers and educators);
- Development of a specific plan of care;
- Referral and related activities to help the individual obtain needed services; and
- Monitoring and follow up activities, including those to insure that the service plan is effectively implemented.

As of March 1, 2007, the new case management rate for TFC providers would be \$326.50 monthly, which is equivalent to the case management rate charged to Medicaid by the Community Services Boards. The difference in reimbursement was to be charged to CSA.

OCS and VDSS notified local departments of social services of the change and OCS created a group of providers and CSA staff to determine which services provided by TFC agencies would be considered “case management” and which activities would be considered reimbursable by CSA. A new category “TFC Supervision and Support” was created to allow providers to bill separately for the non-case management services.

This shift in funding source was of great concern to local governments. The timing was poor as new fiscal year budgets had already been developed without allowing for the additional costs. Localities were now required to provide the local CSA match for TFC funding which had previously been 100 percent reimbursable by Medicaid.

There were regional variations in response to the funding dilemma faced by local governments. Some local governments in Northern Virginia agreed to continue to fund the services at whatever rate had previously been negotiated by the provider and DMAS. The Tidewater region was most dramatically affected by the change as there are numerous TFC providers in the area and relatively larger numbers of children in TFC. For those localities with significant funding concerns, attempts were made to re-negotiate

rates with providers. However, it should be noted that a child's needs did not change and the costs of services provided by the private agency did not change simply because there was a shift in funding sources.

Adoption Subsidy, Additional Daily Supervision, and Rate Setting

At the time this legislative study was prescribed, VDSS was researching rate setting as a part of the legislative required adoption subsidy study. As part of the adoption subsidy study, a subgroup of the larger Adoption Subsidy Workgroup formed to begin examining rate setting. When this legislative study began, this rate setting subgroup was expanded into the current Rate Setting Committee. Members of the original subgroup remained due to their working knowledge of the work that had already been accomplished and the overall goal of setting statewide rates.

The Adoption Subsidy Workgroup's efforts can be viewed in House Document No. 25, "Policies and Procedures Related to the Management of the Special Needs Adoption Program". In this document VDSS outlines its recommendations for reining in adoption subsidy expenditures while at the same time promoting permanency for adoptive youth. Two key recommendations included in that report relate directly to setting statewide rates for TFC. These recommendations are:

- Increase the use of federal Title IV-E funding for adoption assistance payments; and
- Create a uniform adoption assistance agreement that encourages linkage between child's needs and service payment levels.

In order for VDSS to increase its use of federal Title IV-E funding for adoption assistance payments, work must first be done within the foster care payment structure. During the adoption subsidy research, additional daily supervision (ADS) payments were identified as a primary cost driver. ADS payments are made when the 24-hour supervision of a child is greater than that which is normally required for a foster/adoptive child. Federal regulations stipulate that without a statewide rate structure in place, all ADS adoption subsidy payments must be paid with 100 percent General Fund dollars, even for Title IV-E eligible children.

Many of the adoptive children receiving the highest ADS payments were adopted out of TFC placements. TFC providers that bill local departments of social services for ADS do so at widely varied rates. These rates range from \$15 to \$80 per day (\$450 to \$2,400 monthly). Incorporation of a statewide rate structure governing ADS payments would not only allow for Title IV-E reimbursement in the adoption subsidy program, but would also serve as a control for the amounts of the ADS payments on the foster care side. Through research conducted by VDSS staff, it was observed that a portion of TFC providers, albeit small, are using these ADS parental payments as a foster parent recruitment tool, with minimal focus on services and supports for children and families. One advantage of implementing a statewide rate system governing ADS payments is that VDSS could place the emphasis of TFC back upon service provision and delivery.

Regardless of the type of rate structure chosen for implementation, the second recommendation referenced in this report from House Document No. 25 is equally important. Since there is currently no common methodology determining why children in care receive a certain amount of ADS payments, variation exists. By placing an emphasis on basing the ADS payments on the special needs of children, rational standardization can occur. Similarly, basing payments on the needs of children will provide the consistency and equity across the state that is currently lacking.

Legislative Request for Study on Rate Structure for TFC

As a result of the previously mentioned developments the 2007 General Assembly directed VDSS and OCS, along with stakeholders, to examine the feasibility of a statewide rate structure for TFC.

To meet the study mandate, OCS and VDSS created a large workgroup composed of representatives from numerous public and private agencies, both at the state and local levels. (A listing of Rate Setting Committee Members is included as Appendix I)

The workgroup held its first meeting in April 2007 and in June formed two smaller subcommittees, one to look at various rate structures and models in place in other states and the second to develop and disseminate standardized definitions for activities conducted by TFC agencies. A discussion of the work of each subcommittee follows.

Rate Structure/Assessment Subcommittee

The Rate Structure/Assessment Subcommittee members felt it was important to clearly state the purpose of the group to guide the work. It was decided that the purpose of the group was to develop a rate structure with the following dimensions:

- flexible and emphasize the ability to meet the child's needs;
- include criteria for ADS, in conjunction with the Definitions Subcommittee;
- will not address residential placements; and
- standardize rates in order to draw down Title IV-E funds

Three types of rate structures used in other states were identified and researched.

- Levels of care/need structure which requires the use of an assessment tool to determine the appropriate level of care for a child. Payment is based on the level of care assigned.
- An anchor system which establishes a maximum rate and permits market competition.
- A "points" system which uses a questionnaire to evaluate the needs of the child to link to standardized payment rates.

The subcommittee developed a list of questions to ask when contacting other states and focused on states which are state supervised and locally administered. Information was

gathered from the following states and localities:

State / Locality	Rate System Used
Colorado	Anchor System
Fairfax County, Virginia	Levels of Care System
Georgia	Levels of Care System – now defunct
Indiana	Levels of Care System – mirrors Managed Care
Iowa	Point System
Kentucky	Levels of Care System
Maine	Levels of Care System – Medicaid Model
Massachusetts	Anchor System
Ohio - State	Anchor System
Ohio – Cuyahoga County	Levels of Care System – Bound by state anchor
Portsmouth, Virginia	Point System
Wisconsin	Point System

Each of the rate structure methodology carries with it both positives and negatives. States which have implemented the levels of care system have seen varied success. A levels of care system failed in Georgia whereas great successes have been observed in Kentucky, Maine, and Tennessee. The levels of care system being used in Cuyahoga County (developed with the Casey Foundation) is currently being studied by Ohio for possible statewide implementation. In the subcommittee, both private providers and local directors expressed concern over the highly prescriptive nature that a levels of care system carries with it. These concerns centered on the lack of flexibility such a system would allow. It was also pointed out that a levels of care system is contradictory to the philosophy of CSA, given that a levels of care system would dictate parameters of services delivery, therefore limiting flexibility and market competition. Another negative cited by the subcommittee was that most states that were realizing success with a levels of care system were state administered which permits a greater amount of standardization than in a locally administered state.

Both Ohio and Colorado have implemented some sort of state anchor rate. An anchor system merely provides an upper limit or a range of expenditures allowed for reimbursement for ADS. Localities have a greater degree of flexibility in determining how they function under the anchor system. With a state anchor rate system, localities are allowed the flexibility to determine the amount they will reimburse for ADS so long as the amount is under the state anchor rate. If a locality chooses to exceed this rate it must do so with local monies. While a state anchor rate system does allow a great deal of flexibility, it was feared by members of the subcommittee that TFC providers would quickly start charging the top rate for ADS, therefore requiring periodic adjustments to the anchor amount. It was also noted that a state anchor rate system does not necessarily base payment amounts on the specific needs of children; something previously recommended in House Document No. 25.

The final rate structure researched was the point system. Iowa and Wisconsin have used a point system to determine the amount of ADS payments foster and adoptive parents receive. In this rate structure, points are assigned based on the results of a checklist or questionnaire that is meant to identify children's special needs. Upon completion of the checklist/questionnaire, points are totaled to determine the exact amount a parent will receive for ADS in addition to their basic maintenance payment. In Wisconsin, a payment is available to parents if such a payment will:

- enable the child to be placed in a foster home or treatment foster home rather than in a more restrictive setting; or.
- enable a child placed in a more restrictive setting to be moved into a foster home or treatment foster home.

While the point system is not without any negatives (some subcommittee members expressed concern over the degree to which it is prescriptive), the recommendation of the subcommittee was to focus future research and development efforts on a points system similar to that used in Iowa and Wisconsin. It should be noted that Portsmouth, Virginia has modified the Wisconsin tool for use in its specialized foster care program.

Definitions Subcommittee

The Definitions Subcommittee began meeting in June 2007 with the goal of standardizing TFC activities under "Title IV-E friendly" cost categories. By standardizing terminology related to TFC operating activities, VDSS would be able to begin using Title IV-E instead of Medicaid for case management and other allowable reimbursable costs. This use of Title IV-E would eclipse the \$326.50 currently allowed for reimbursement by Medicaid for Title IV-E eligible children.

The Definitions Subcommittee identified several steps that needed to be taken in order to begin utilizing Title IV-E funds. First, the subcommittee identified the need to create a matrix of terminology that covers all the activities conducted by TFC providers and whether or not these activities are Title IV-E reimbursable. In order to accomplish this task, VDSS worked directly with TFC providers to develop a scope of activities to include in the Title IV-E matrix. These activities were then grouped into Title IV-E reimbursable and Title IV-E non-reimbursable categories. The primary tool used to make this determination was the VDSS Public Assistance Cost Allocation Plan (PACAP) which is currently pending approval by federal Region III staff. The PACAP was largely based upon Pennsylvania's plan which has already received federal approval. Currently, the Title IV-E reimbursable categories include parental payments and administrative costs, with the hope that recruitment and training can also be claimed with additional efforts. All other costs have been grouped into a non-reimbursable category. At this time, the matrix is in its final stages of development.

Upon completion of the matrix, VDSS will seek approval from its Region III federal representatives. Upon receiving approval, VDSS would then disseminate the Title IV-E matrix for use among TFC providers. Once the TFC community has incorporated the

new terminology into their operations and billing, there should be a reduction in CSA costs. VDSS is prepared to research the fiscal impact of this change in order to determine if future rate setting efforts are necessary.

Other efforts of the Definitions Subcommittee included defining ADS for use by TFC providers, local departments of social services, and inclusion in program policy manuals.

Recommendations

1. By July 1, 2008, VDSS will develop and implement a statewide rate structure to govern the administration of ADS payments to foster and adoptive parents on behalf of the children they foster and/or adopt.

- A statewide rate structure will allow VDSS to claim Title IV-E reimbursement for eligible adopted children who require ADS payments (currently funded by 100% state dollars).
- A statewide rate structure will allow VDSS to claim Title IV-E reimbursement for eligible children for ADS payments in treatment/therapeutic foster care (currently funded by state and local dollars through CSA);
- A statewide rate structure will provide consistency throughout the state in regard to payment amounts for specialized and treatment foster care placements and adoption subsidy payments.
- A statewide rate structure will serve as a market correction by refocusing competition amongst child placing agencies on services and support to children and families. Such a correction would be consistent with the original intent of the CSA.
- In early 2008, VDSS will begin piloting the ADS rate structure in selected LDSS in order to identify any modifications necessary before full implementation.

2. By July 1, 2008, VDSS will develop and implement common terminology for activities currently being performed by treatment/therapeutic child placing agencies and local departments of social services.

- VDSS is currently developing universal definitions of activities performed by CPAs into Title IV-E reimbursable categories. These categories are: parental payments, administrative costs, case management, and training/recruitment. Title IV-E non reimbursable costs, such as social services and therapy, will be placed in a separate category.

- VDSS is receiving assistance from the federal Title IV-E regional consultant and will seek federal approval of universally defined terms.
- VDSS will disseminate terms to the CPAs and local departments of social services (LDSS) for implementation.
- In early 2008, VDSS will begin disseminating federally approved common terminology to pilot CPAs and LDSS in order to identify any modifications necessary before full implementation.
- Beginning in October 2008, VDSS will study the fiscal impact of using Title IV-E instead of Medicaid for case management and other allowable costs. The results of this fiscal impact study will determine if further rate structuring efforts are necessary.

3. ADS payments shall be based upon the identified needs of the child.

- The selected rate structure will base ADS payments based on the specific needs of foster or adoptive youth.
- The state will continue to investigate the feasibility of a points system as the methodology for determining child specific ADS payments.
- VDSS will research the possibility of adding an additional payment component to the ADS rate for foster and adoptive parents meeting various requirements.

4. The Division of Family Services and the Division of Licensing Programs will work together to establish regulations for TFC and foster care that ensures consistency in the approval process for public and private providers.

- These regulations will use and define terminology, as necessary, that is consistent with the terminology developed as part of the new statewide rate structure.
- These regulations will, as necessary, include other additional rate structure requirements to ensure consistency in how public and private providers approve and manage all types of foster and adoptive homes.

5. VDSS will consider the impact any rate structure may potentially have on LDSS.

- Before implementation, VDSS will consider the following potential impacts a rate structure may have on LDSS: creation of additional administrative procedures; the need for Information Technology upgrades; the need for

additional training; and any potential hidden financial costs.

- VDSS will also determine if the selected rate structure will require additional audits or compliance reviews for LDSS.

6. VDSS will continue to make the inclusion of a local financial management interface a priority in the development of its new child welfare case management system, ChildWINS.

- In order to create this local financial management interface, a technical solution has been agreed upon by LDSS and VDSS to move forward with the implementation of an Interface Service Repository (ISR). For the first time, a four-way match of client, provider, service, and payment information will be achieved along with state level financial reporting of expenditures and provider payments. This will allow for the routine monitoring of TFC expenditures which will assure that federal dollars are being captured for allowable costs in order to have state and local dollars freed to provide additional services to children and families.

Serving Virginia's Youth in a Cost Effective Manner

The ultimate goal of the VDSS' Division of Family Services is to ensure the safety and well-being of at-risk children and adults. Similarly, CSA was designed with the intention of creating a collaborative system of services and funding that is child-centered, family-focused and community-based when addressing the strengths and needs of troubled and at-risk youths and their families in the Commonwealth. The goals expressed in the Virginia Social Services System Strategic Plan and the Comprehensive Services Act of 1992 will continue to guide the actions of these agencies.

The recommendations of the Rate Setting Committee are not driven by cost containment, but rather by the recognition that VDSS and CSA can serve its clientele in a more cost effective manner while still meeting prescribed goals and objectives. VDSS and OCS envision that the recommendations in this report will increase the cost effectiveness of TFC, regular foster care, and the adoption subsidy program in four ways:

- By ending the dependency on Medicaid to fund case management services, VDSS will be able to utilize Title IV-E funding to cover more TFC activities at a higher level of reimbursement. While CSA will have to reimburse the case management portion for children that are not Title IV-E eligible, it is estimated the amount of money received from Title IV-E will be significantly larger, thus ultimately reducing CSA expenditures.
- By implementing a statewide rate structure basing ADS payments on a child's specific needs, parental payments made by TFC providers will become more consistent and predictable. Implementation of a statewide rate structure around ADS will refocus competition among TFC providers on service delivery and

support. This transition provides a return to CSA's goal of child-centered, family-focused, community-based service delivery, as well as TFC's intent to blend services and case management to meet the needs of children.

- In 2007 the Joint Legislative Audit Review Committee reported in House Document No. 12 that many children in TFC do not necessarily need TFC services. An addition daily supervision rate structure will allow local departments of social services to offer ADS payments to foster families that have received approved training. The local departments of social services concern over losing foster parents to TFC providers due to higher payments would be equalized. A local department of social services providing approved training would be able to offer the same ADS payment as a TFC provider. Placing a child with a LDSS provider would prevent a locality from having to pay for administrative costs that come with TFC placement.
- Finally, a statewide rate structure around ADS payments will allow for the use of Title IV-E for children receiving these payments as a part of their adoption subsidies. This will decrease the reliance upon General Fund dollars significantly and could potentially free up millions of General Funds dollars which can be used to provide services not covered by Title IV-E. This will continue to encourage permanency for children in adoptive placements.

Appendix I

Members of the Rate Setting Committee Convened by the Office of Comprehensive Services and the Virginia Department of Social Services

Lynette Isbell.....VDSS, Director of the Division of Family Services
Tracey Field.....Annie E. Casey Foundation
John Levesque..... National Child Welfare Resource Center for Adoption
Carol Wilson.....Office of Comprehensive Services, Technical Assistance Coordinator
Matt Wade.....VDSS, Senior Policy Analyst, Quality Review
Mary Adamchak.....Fairfax Department of Social Services, Social Worker
Steve Bosch.....United Methodist Family Services
Traci Brickhouse.....Social Work Supervisor, Norfolk DHS
Brad Bryant.....People Places, Inc. Executive Director
Karin Clark.....VDSS, Policy Analyst, Office of the Commissioner
Susan Clark.....Director, Galax Department of Social Services
Penny Combs.....Virginia Coalition of Private Providers, President
Kim Conner.....VDSS, Senior Federal Grants Analyst, Division of Finance
Pam Cooper.....VDSS, Acting Adoption Program Manager
Sheila Crossen-Powell...Assistant Director, Hanover Department of Social Services
Gary Cullen.....VDSS, Local Operations Program Manager
Donna Douglas.....Director, Hanover Department of Social Services
Robin Ely.....VDSS Division of Licensing Programs
Gary Gerczak.....VDSS, Title IV-E Specialist
Catherine Hancock.....Department of Medical Assistance Services
Nancy Holcomb.....Virginia Association of Licensed Child Placing Agencies
Tracey Jackson.....VDSS, Adoption Policy Specialist
Beth JonesVDSS, Office of Research
Lynn Moore.....CSA Program Manager, Norfolk Interagency Consortium
Brady Nemeyer.....Office of Comprehensive Services, Utilization Coordinator
Phyl Parrish.....VDSS, Quality Review Program Manager
Lisa Reid..... Chair, Virginia Foster Family-Based Treatment Association
Karen Rountree..... Virginia Beach Department of Social Services, Social Worker
Julia Sargeant..... Senior Social Worker, James City County DSS
Chuck Savage.....Office of Comprehensive Services, Business Manager
Gail Schreiner..... Portsmouth CSA Program Administrator
John Simmons..... Management Analyst, Fairfax DAHS
Debbie Tomlinson.....VDSS, Title IV-E Specialist
Marie Vesely.....Norfolk DHS, Program Manager
Jim WallisDirector, Pulaski County Department of Social Services
Therese Wolf VDSS, Foster Care Program Manager

Appendix II

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