

OFFICE OF CHILDREN'S SERVICES

ADMINISTERING THE CHILDREN'S SERVICES ACT



IMPACT OF TIERED MATCH RATES FOR CSA

Annual Report to the Governor and General Assembly, December 1, 2022

In accordance with the Appropriation Act Chapter 2 Item 284 (C)(3)(c)

The Children's Services Act (CSA, §2.2-2648 et seq) was enacted in 1993 to create a collaborative system of services and funding for at-risk youth and families.

The CSA establishes local multidisciplinary teams responsible to work with families to plan services according to each child's unique strengths and needs and to administer the community's CSA activities.

The Office of Children's Services (OCS) is the administrative entity responsible for ensuring effective and efficient implementation of the CSA across the Commonwealth.

Guiding principles for OCS include:

- Child and family directed care,
- Equitable access to quality services,
- Responsible and effective use of public funds,
- Support for effective, evidence-based practices, and
- Collaborative partnerships across state, local, public, and private stakeholders.

Item 284.3.a. Notwithstanding the provisions of C.2. of this Item, beginning July 1, 2008, the local match rate for community-based services for each locality shall be reduced by 50 percent.

b. Localities shall review their caseloads for those individuals who can be served appropriately by community-based services and transition those cases to the community for services. Beginning July 1, 2009, the local match rate for non-Medicaid residential services for each locality shall be 25 percent above the fiscal year 2007 base. Beginning July 1, 2011, the local match rate for Medicaid residential services for each locality shall be 25 percent above the fiscal year 2007 base.

c. By December 1 of each year, The State Executive Council (SEC) shall provide an update to the Governor and the Chairmen of the House Appropriations and Senate Finance and Appropriations Committees on the outcomes of this initiative.

As established in the Appropriation Act, funding for services to children and families through the Children's Services Act (CSA) is a shared responsibility of state and local government. Effective July 1, 2008, the Appropriation Act implemented a three-tiered, incentive-based local match rate model to encourage reduced utilization of residential care and, conversely, increase the proportion of children served in their homes and communities, and support investments in community-based services. This policy-driven match rate model promotes the delivery of services consistent with the statutory purposes of the CSA (see § 2.2-5200, Code of Virginia) to:

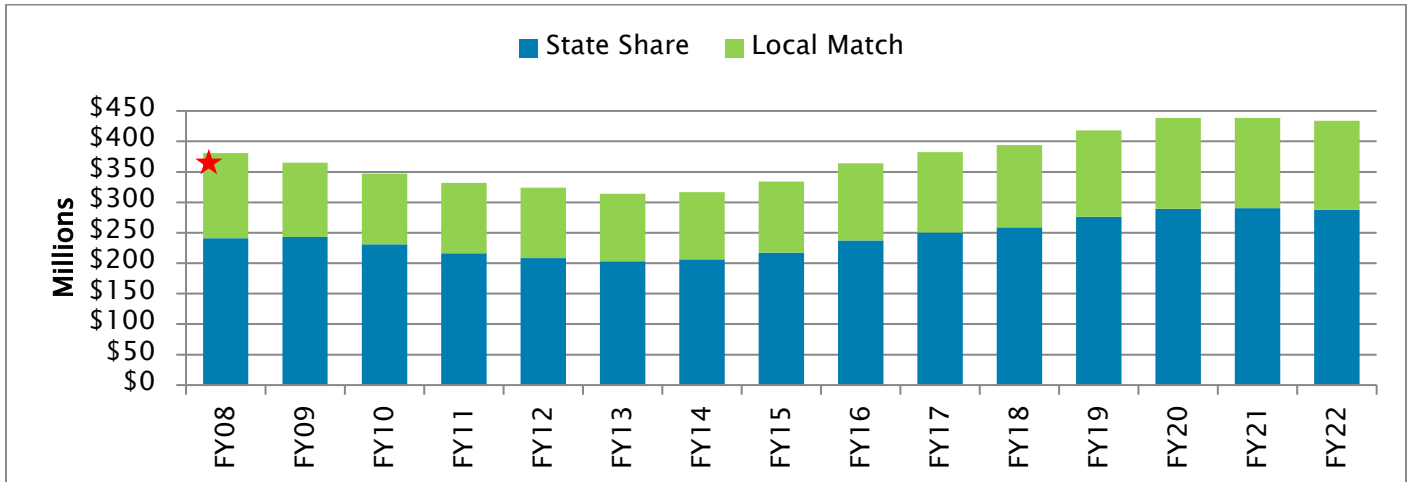
- preserve and strengthen families;
- design and provide services that are responsive to the unique and diverse strengths and needs of troubled youth and families; and
- provide appropriate services in the least restrictive environment, while protecting the welfare of children and maintaining the safety of the public.

Before 2008, CSA utilized a single base match rate unique to each locality. These local base match rates were established in the early years of the CSA (1993-1998) utilizing a formula that reflected the amounts contributed by localities in previous years and growth in the rate based on the locality's ability to pay. Under the tiered (incentive) model, the local match rate for residential services is 25% above its base match rate, and for community-based services, 50% below its base match rate. Designated services (foster care and special education) remain at the base match rate. Local base match rates range from 16.98% to 53.09% with the average local base match rate of 32.99%.



Office of Children's Services
Empowering communities to serve youth

Total Net Expenditures for the Children's Services Act



★ Implementation of the tiered, "incentive" match rate model

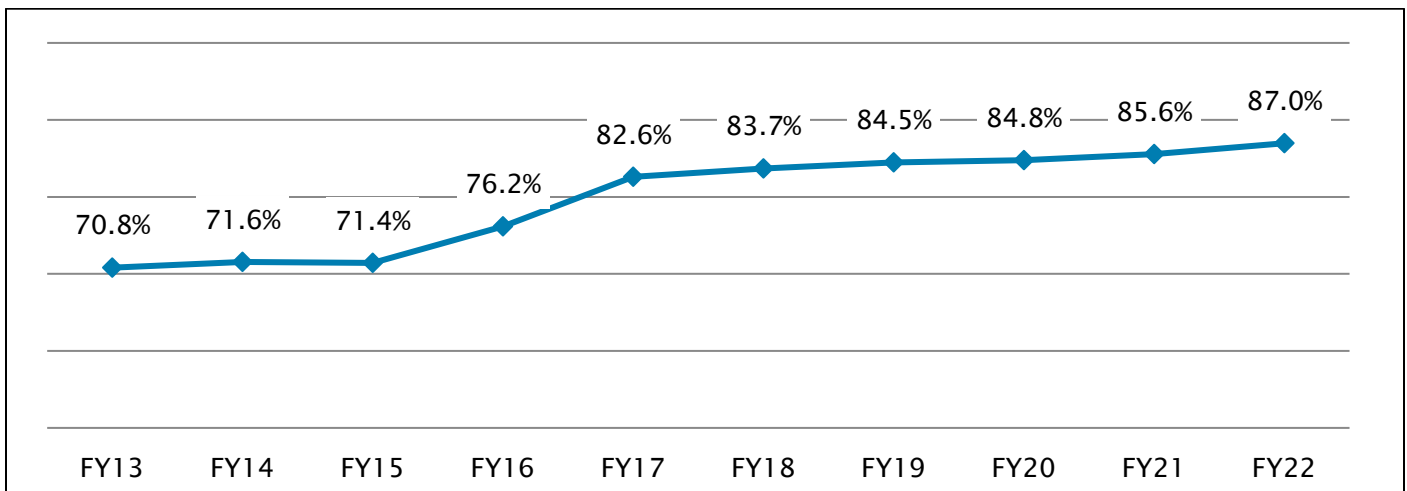
Effective (Actual) Match Rates (Statewide Average)

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Effective Local Match Rate	35.3%	34.9%	34.9%	34.8%	34.4%	34.3%	34.0%	34.0%	33.8%	33.6%
Effective State Match Rate	64.7%	65.1%	65.1%	65.2%	65.6%	65.7%	66.0%	66.0%	66.2%	66.4%

The effective match rate reflects the impact of the mix of services at the various tiered match rates on the overall match rate for all funded services.

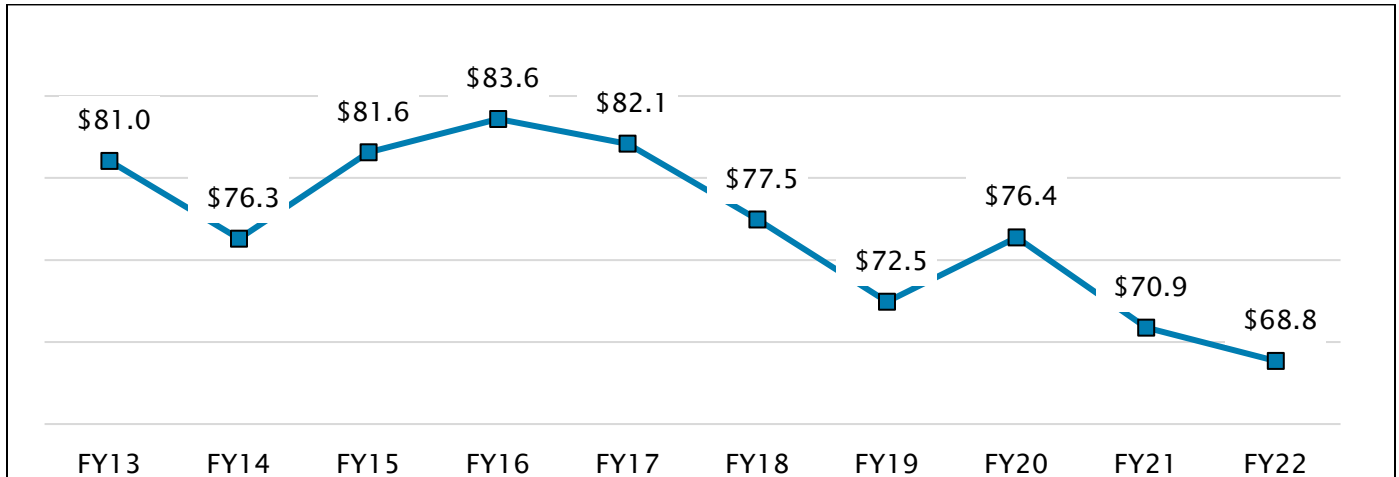
Impact of the Tiered (Incentive) Match Rate Model

Percent of Youth Served Only in Community-Based Settings (FY2013 - FY2022)



The chart above reflects the percentage of youth in the total CSA census for the year served only within their family and communities (i.e., have not required a congregate-care placement). The chart below shows expenditures for residential placements.

CSA Congregate Care Expenditures (Millions) (FY2013 – FY2022)



Discussion

The intent of the tiered match rate model was two-fold. The first was to employ fiscal incentives to discourage the placement of children into restrictive, residential (congregate care) treatment settings when it was possible to safely utilize alternative, non-residential services that would adequately address the needs of the child, family, and community. The chart *Impact of the Tiered (Incentive) Match Rate Model (FY2013 – FY 2022)* illustrates that this goal has been increasingly realized. Over the period shown, there has been a 16.2 percent increase in the children served through the Children's Services Act who did not experience any congregate care placements during the reporting year. Residential placements are typically among the more costly services funded through the CSA (second to private day special education placements). The tiered match rate system's associated goal was to control CSA expenditures that, at the time (FY2008), had grown to their highest historical point. In the years immediately following the tiered match rates' implementation, overall CSA expenditures did fall significantly. CSA is unable to attribute this decrease solely to the match rate model, as this period coincided with a significant economic recession. In FY2015, this trend reversed with overall CSA annual expenditures rising, as shown in the chart *Total Net Expenditures for the Children's Services Act*. However, in contrast to the general expenditure trend, beginning with FY2017 and continuing through FY2022, CSA residential expenditures declined at a noticeable rate, despite a temporary uptick in FY2020.

While the effective (actual) state (vs. local) match rate is higher than the base rate, the match rate ratio has been virtually unchanged for the past several years. The effective local match has not declined further due to the significant rise in costs (and overall share of total CSA expenditures) associated with private special education day placements. Such educational placements are not subject to an incentive or disincentive through the tiered match rate model, creating less variability in the effective state vs. local match rates. Using fiscal incentives to impact special education placements is not permissible under the federal Individuals with Disabilities Education Act (IDEA).

Within its limits, the tiered match rate model appears to have achieved its goal of increasing the utilization of community-based versus congregate care services with an associated overall decrease in costs for services potentially impacted by the model.

In 2022, the Governor's Safe and Sound Task Force was formed to address children in foster care who were displaced from appropriate foster homes or alternative settings. Consistent with a desire to improve outcomes by minimizing the number of children in congregate care settings, Phase 2 of the work of the Task Force (beginning in FY2023) has identified a reduction in the percentage of children in foster care who are in congregate settings. This will be addressed through both an increase in the availability of non-congregate foster care placements, as well as a reduction in the length of time children in foster care remain in congregate placements. It is anticipated that success in this endeavor will result in a higher proportion of CSA-served children served only in community-based settings and perhaps a further reduction in the effective local match rates in future years.