

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, 2023

In accordance with the Appropriation Act Chapter 1 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 Section 2.2-5211.C. of the *Code of Virginia* and the Appropriation Act, funding 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 residential care utilization, 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.A., *Code of Virginia*) to:

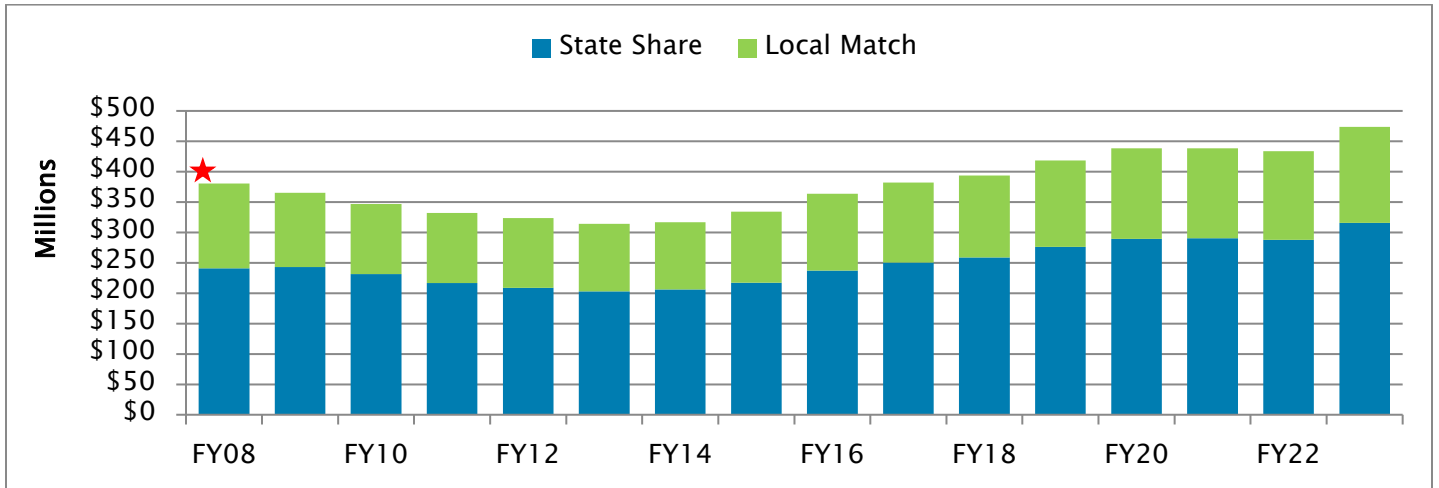
- preserve families;
- design and provide services that are responsive to the unique and diverse strengths and needs of troubled youth and families; and
- provide appropriate services in the least restrictive environment, while protecting the welfare of children and maintaining the safety of the public.

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 reflecting the amount contributed by the locality in previous years and growth in the rate based on the locality's ability to pay. Under the three-tiered (incentive) model, the local match rate for residential services is 25% above its base match rate, and for community-based services, it is 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



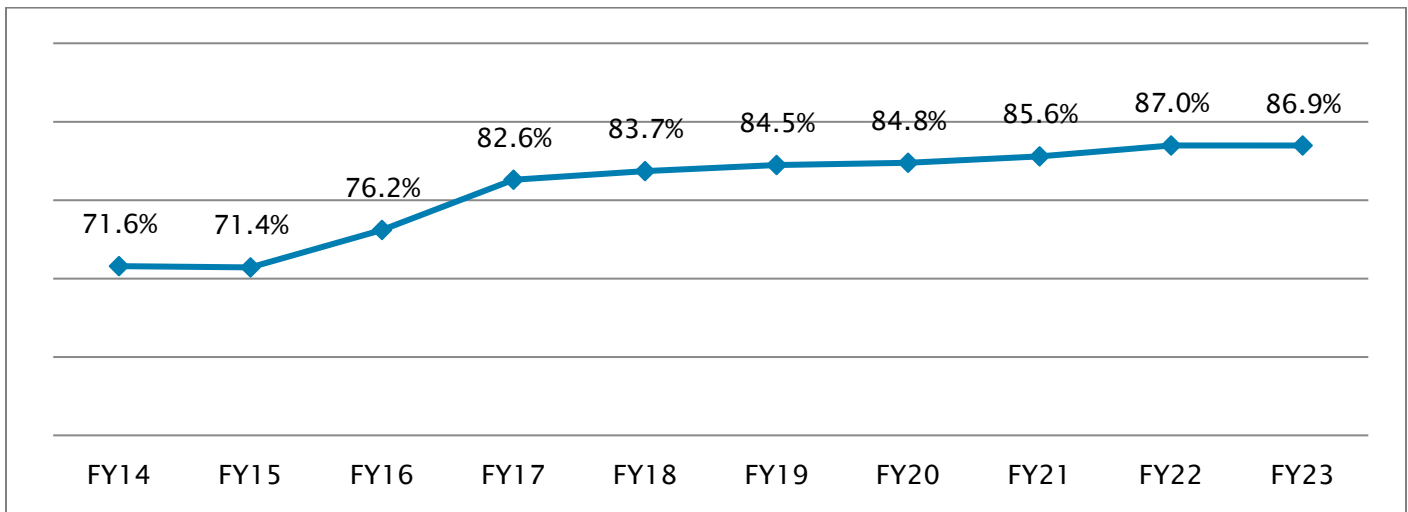
★ Implementation of the three-tiered, "incentive" match rate model

Effective (Actual) Match Rates (Statewide Average)

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Effective Local Match Rate	34.9%	34.9%	34.8%	34.4%	34.3%	34.0%	34.0%	33.8%	33.6%	33.3%
Effective State Match Rate	65.1%	65.1%	65.2%	65.6%	65.7%	66.0%	66.0%	66.2%	66.4%	66.7%

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.

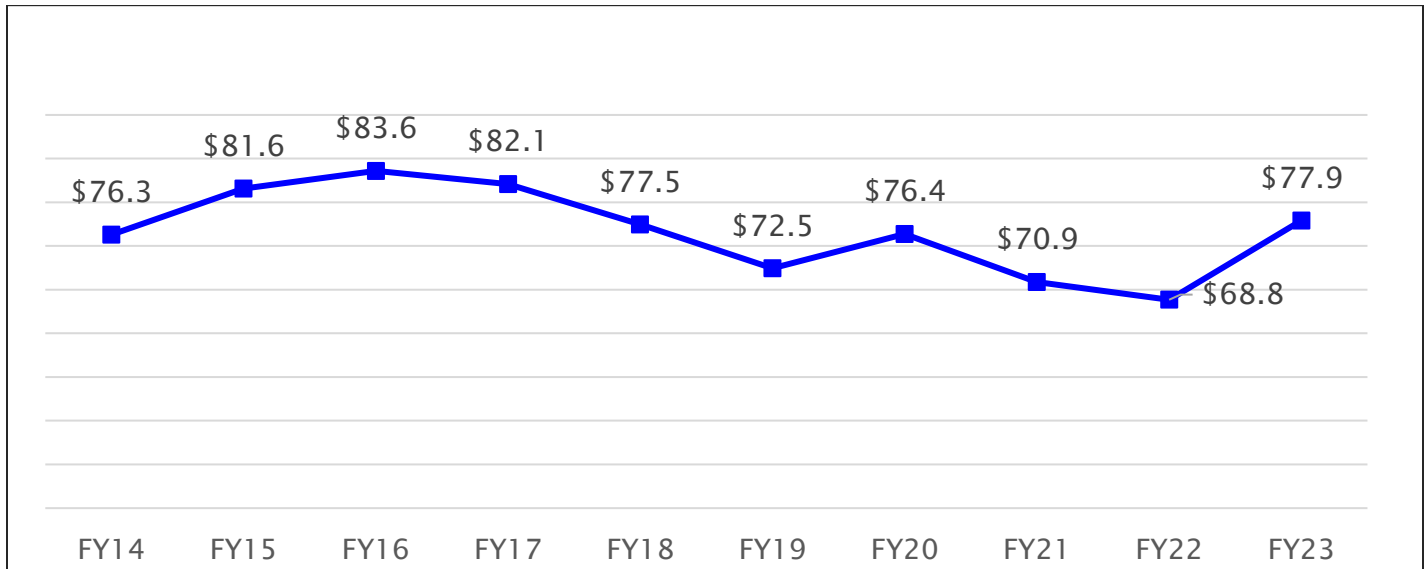
Percent of Youth Served Only in Community-Based Settings Impact of the Three-Tiered (Incentive) Match Rate Model (FY2014 - FY2023)



The chart above reflects the percentage of youth in the yearly CSA census served only within their family and/or community (i.e., have not required a congregate-care placement).

The chart below shows expenditures for residential placements. The increase in these expenditures in FY2023 reflects a slight increase in the number of youth served in congregate care placements (+4 percent) and a larger increase in the average cost per placement (+9 percent).

CSA Congregate Care Expenditures (Millions) (FY2014 – FY2023)



Discussion

The intent of the three-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, *Percent of Youth Served Only in Community-Based Settings*, illustrates that this goal has been increasingly realized. Over the period shown, there has been a significant increase in the children served through the Children's Services Act who did not experience any congregate care placements during the reporting year (from 71.6% to 86.9%). Residential placements are typically among the more costly services funded through the CSA (second to private day special education placements). The three-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 following the tiered match rate implementation, overall CSA expenditures fell significantly. Attributing this decrease solely to the match rate model is not definitive, 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*. Beginning with FY2017 and continuing through FY2022, CSA residential expenditures declined noticeably despite a temporary uptick in FY2020. In FY2023, coinciding with the end of the COVID-19 pandemic, residential costs once again rose. However, this is more attributable to increased cost per child (from \$36,500 to \$39,700) rather than a larger percentage of youth placed in congregate care settings.

While the effective (actual) state (vs. local) match rate is higher than the base rate, the state:local match rate ratio has been virtually unchanged for 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 three-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 three-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.