

History of Kentucky's Residential Rate Methodology & Critical Funding Needs for Child Welfare 2020 Session

Presented by:
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Who is the Children's Alliance

The Children's Alliance is a non-profit association of child and family services agencies throughout Kentucky, who serve at-risk, abused, neglected and abandoned children and their families.

- We are 38 community supported organizations, many with over 100 years of experience.
- We, and other private agencies, care for 47% of the 9,747 children in care who are wards of the state.
- We provide statutorily mandated services to families and children.
- We provide a broad array of services including residential, foster care, adoption, independent living and in-home services which includes including family preservation, substance abuse treatment and crisis care.
- We serve the most difficult to place children suffering from physical abuse, sexual abuse, and/or neglect who exhibit emotional, behavioral and mental health issues requiring treatment to become productive citizens.



History:

What is the Rate Methodology?

- A Model Program Cost Analysis is defined by KRS 199.641(c).
- Designed and Implemented in 2000.
- Created in response to a lawsuit filed by the Children's Alliance and twelve member agencies in 1998.

How does the Rate Methodology Work?

STEP ONE: COST REPORT

Cost Report to Determine Median Cost

- a. Cost per Day
- b. Utilization Adjustment
 1. 90% Residential
 2. 75% Group Home
 3. 80% Emergency Shelter
- c. Adjusted Cost per Day
- d. CPI Adjustment
- e. Calculate Median Cost per Day, across all programs

STEP TWO: TIME STUDY

Time Study to Determine Treatment Time per Level

- a. Based on Timestudy Codes – “Treatment” or “Board and Care”
- b. Calculate the Treatment Time Spent per Level
- c. This is Used to Index the Rate

STEP THREE:

Calculate the LOC Rates

- a. Median Cost per Day = Rate for the Median LOC
- b. Median Level Rate is Adjusted Up or Down to Determine the Rates for other LOC
- c. See example from 2018 (next page)

2018 Rate Methodology Results

	Current Rates	AACRTS* Rates
PCC Residential		
Level I	\$ 51.19	n/a
Level II	\$ 61.52	n/a
Level III	\$ 109.71	\$ 223.82
Level IV	\$ 193.50	\$ 193.62
Level V	\$ 256.70	\$ 244.00

Level V = Median

*AACRTS – Annual Audited Cost Report and Time Study

2018 Rate Methodology Results

	Current Rates	AACRTS Rates
Emergency Shelter w/ Treatment	\$ 126.80	\$ 286.31
Emergency Shelter w/o Treatment	\$ 111.60	\$ 209.93
Independent Living	\$ 83.16	\$ 86.01

2018 Funding Gap:

	Allowable Cost	Total Reimbursement	Operating Shortfall
35 Residential providers	\$72,755,023	\$59,180,931.82	(\$13,574,631.18)
	100%	81%	19%
	Allowable Cost	Total Reimbursement	Operating Shortfall
3 Emergency Shelter providers	\$2,169,545	\$1,626,455.12	(\$543,089.88)
	100%	75%	25%

Source: 2018 DCBS Cost Report

NEED: \$14 Million/Year Budget Request to fill the gap



Rate Methodology: Strengths

- More equitable than previous payment system – prior to 2000.
- Rational process to determine rate of payment for all providers.
- Utilization of already required tools - Time Study and Cost Report.

Rate Methodology: Weaknesses

- The median level of care is no longer Level III.

- Not an even distribution of levels – Residential

56% - Level V

36% Level IV

3% - Level III

Virtually no Level I or II

- The highest level of care usually dictates service delivery within agencies.

- Drives quality of care to mediocrity.

- Reduces the reimbursement when a child's behavior improves, not considering the services needed to achieve and maintain this outcome.

- Does not reimburse the actual cost of care.

- Because it is flawed, the statutory provision that provides a fair and equitable reimbursement has not been implemented leaving, **RESIDENTIAL SERVICES EXTREMELY UNDERFUNDED!**

Critical Recommendation For Action:

- Support funding for the creation of a reimbursement method that:
 - ✓ Promotes positive outcomes
 - ✓ Covers the cost of care; and
 - ✓ Reimburses for necessary services.
- Reimburse providers to cover the cost of care – room, board, watchful oversight, treatment and school expenses.

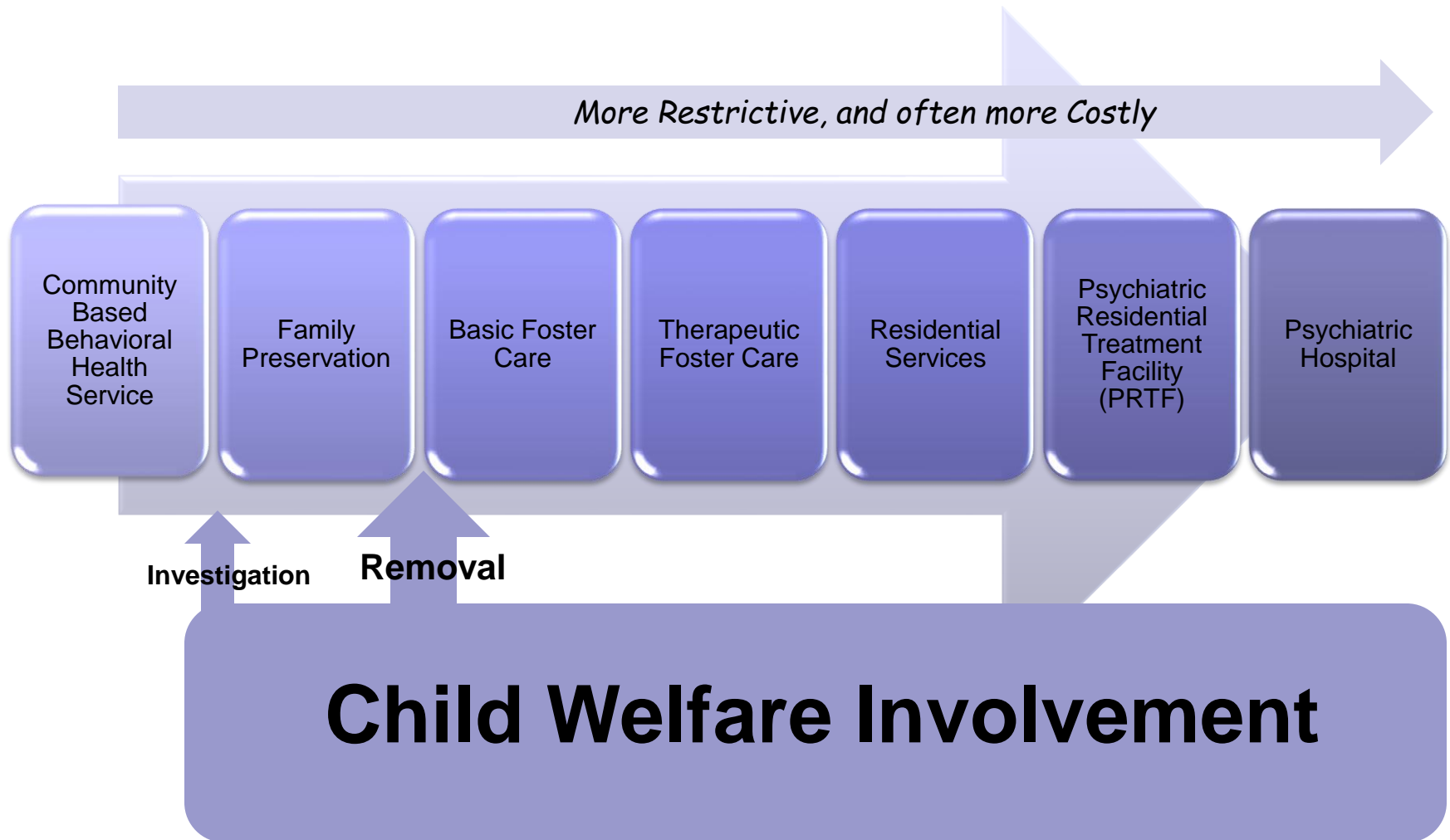
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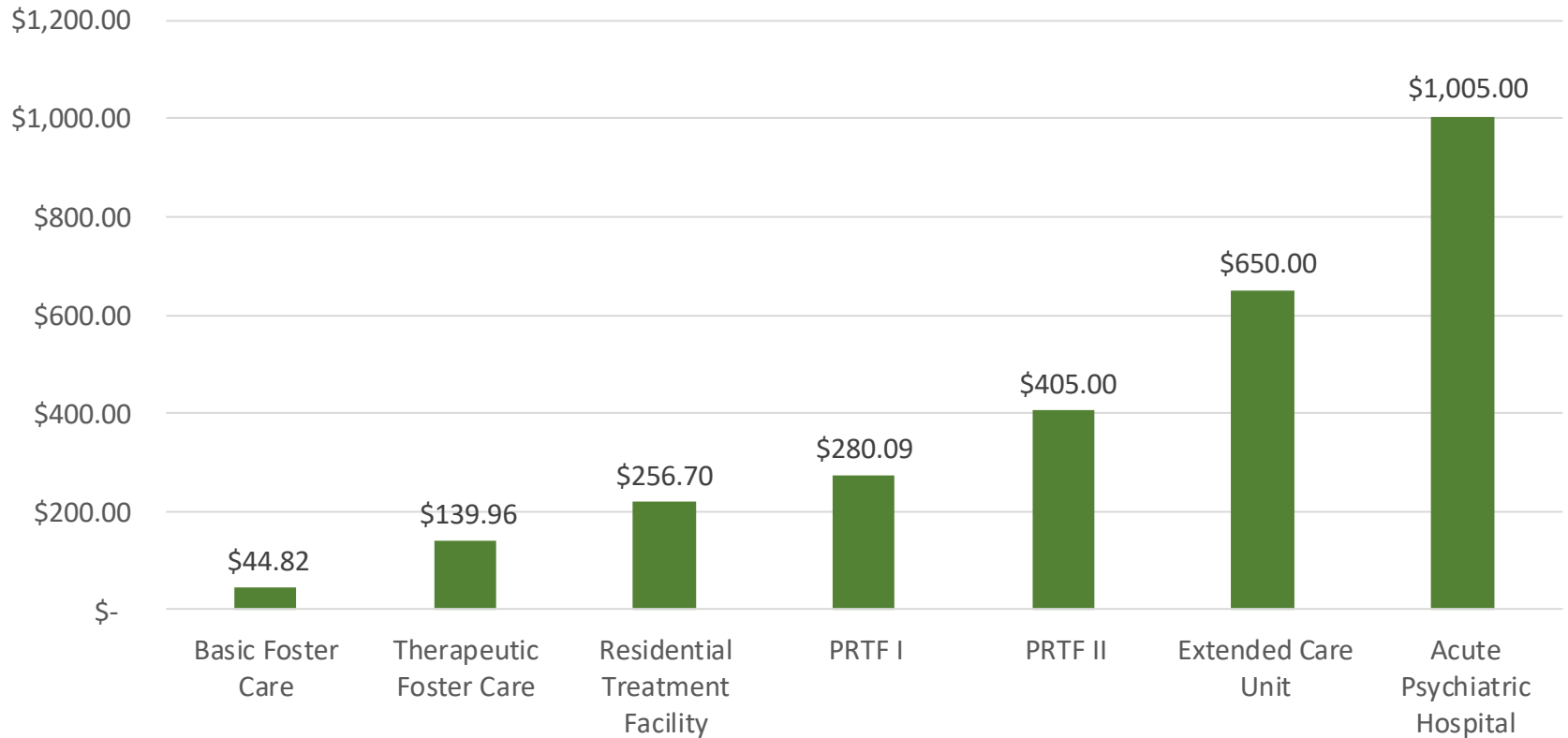
Child Welfare must include a **FULL CONTINUUM OF CARE!**

- Along with providing adequate residential services for children in care, we **MUST** provide adequate services throughout the full continuum of care.
- This is our obligation/law as a STATE to provide quality care for **OUR CHILDREN.**

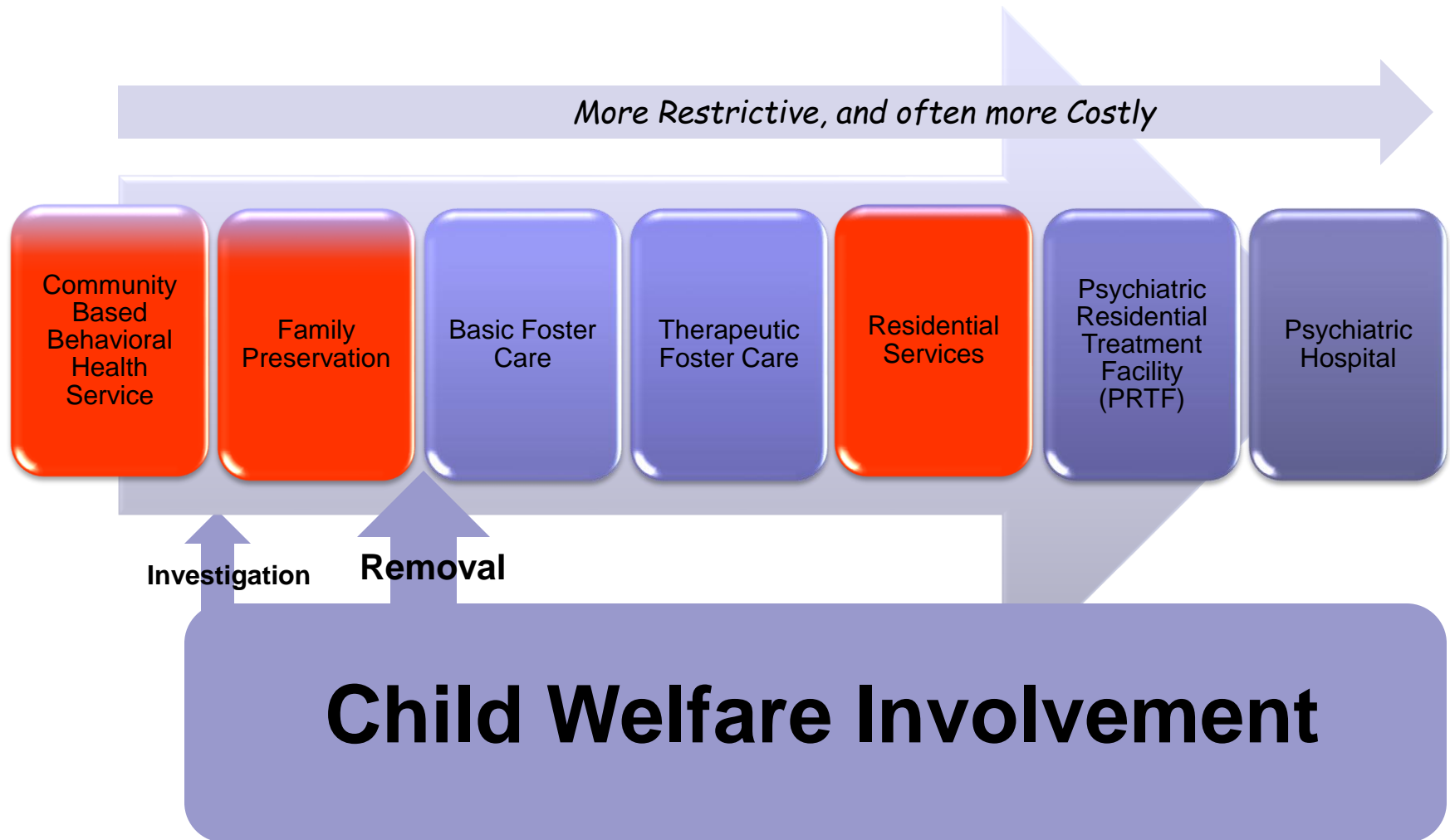
Child Welfare Continuum



Out of Home Care Placements



Priority Areas Needing Resources



Community Based Behavioral Health Established Medicaid Rates

Code	Description	Unit of Service	KY Lic Masters	KY CMHC LCSW AVG	Ohio Rate	WV Rate	VA Rate	IN Rate	IL Rate	MO Rate	Avg Other States	Difference Between State Avg	KY Rates as Percent of State Avg
90791	Psych Diagnostic Evaluation	Event	\$ 81.66	\$108.65	\$111.11	\$ 95.29	\$ 112.70	\$104.56	\$ 68.11	\$ 96.30	\$ 98.01	\$ (16.35)	83.3%
90834	Psychotherapy PT&/Family	45 min.	\$ 53.24	\$ 81.48	\$ 82.05	\$ 61.69	\$ 72.69	\$ 67.18	\$ 86.01	\$ 76.44	\$ 74.34	\$ (21.10)	71.6%
90837	Psychotherapy PT &/Family	60 min.	\$ 79.95	\$108.65	\$102.31	\$ 92.66	\$ 109.04	\$100.60	\$129.82		\$ 106.89	\$ (26.94)	74.8%
90846	Family Psytx w/o Patient	Event	\$ 64.34	\$108.65	\$ 86.94	\$ 74.81	\$ 88.27	\$ 81.46		\$111.82	\$ 88.66	\$ (24.32)	75.6%
90853	Group Psychotherapy	Event	\$ 15.97	\$ 25.36	\$ 21.63	\$ 18.64	\$ 21.99	\$ 20.61	\$ 32.79	\$ 19.72	\$ 22.56	\$ (6.59)	70.8%
90887	Collateral Therapy	Event	\$ 50.72	\$108.65		\$ 62.21					\$ 62.21		
99408	Alcohol/Drug Abuse Screening, Brief Intervention, & Referral to Treatment (SBIRT)	15-30 min.	\$ 16.78	\$ 54.32		\$ 24.94	\$ 25.83	\$ 27.26		\$ 23.52	\$ 25.39	\$ (8.61)	66.1%

Note: No Medicaid rates for Tennessee since state is entirely managed under Managed Care – rates are proprietary

Family Preservation Services

- Defined in KRS 200.575 as services provided to children at imminent risk of out of home care placement.
- KRS 200.580, before it was repealed in 2019, required the Cabinet to make family preservation services accessible to forty percent (40%) of children at imminent risk of being placed outside their homes by 1995 and **eventually to all cases where the removal of a child is imminent and provision of such services appropriate.**
- Based on 2008 cabinet report, each dollar spent on family preservation services saves \$2.85 in cost avoidance.
- In 2019, KY spent over \$400 million/year on out-of-home-care expenses compared to under \$19 million/year on preventive services.
- FPP contracts require outcomes be achieved to maintain the contract and providers are achieving great success.
- If children can be safely served in their own homes, then those services should be offered in accordance with KRS 620.020(13).
- **Family First Prevention and Services Act** allows for federal reimbursement for prevention services for children and their families who are at-risk of out of home care!!!!

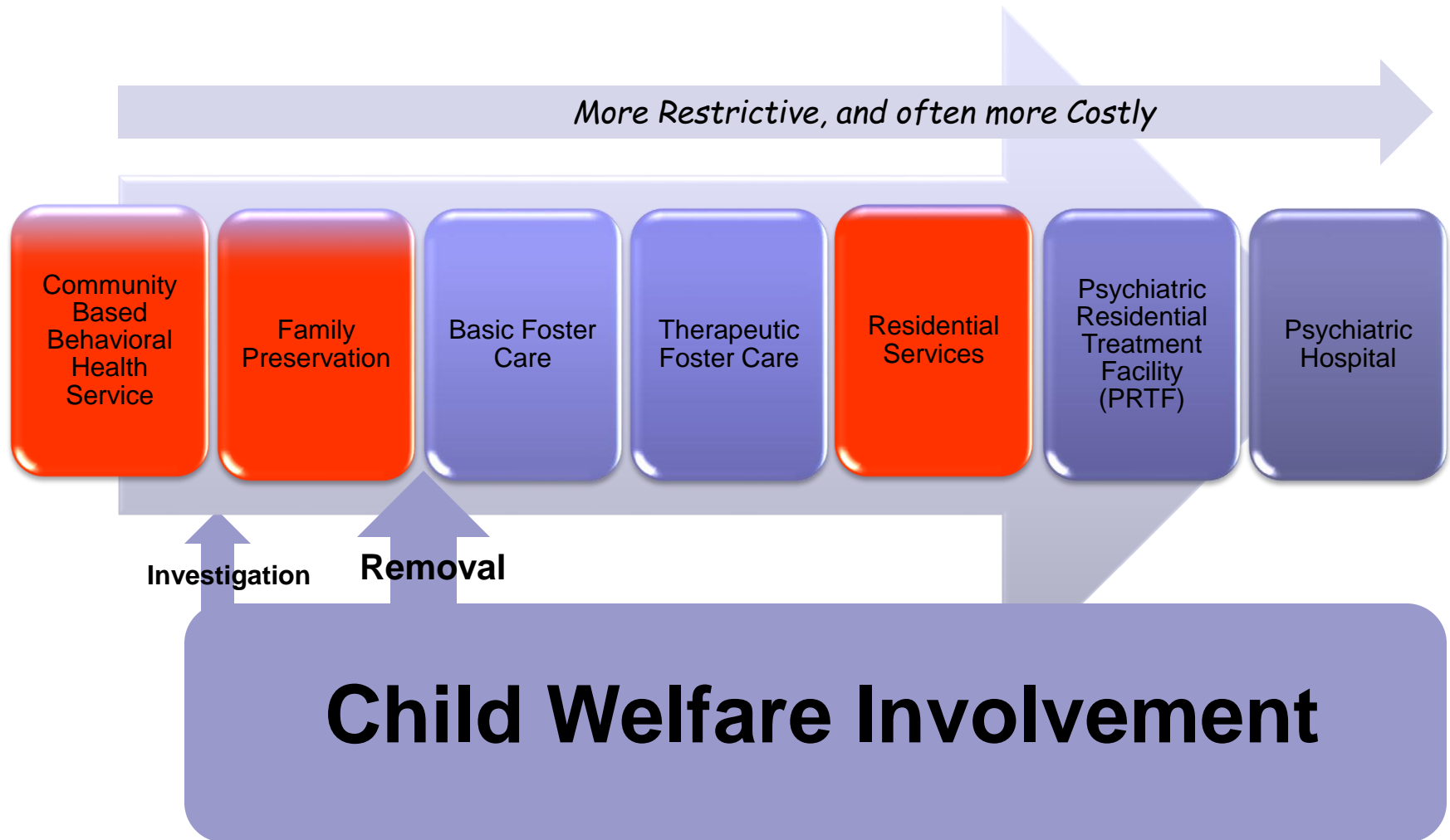
Family Preservation Services (FPP)

- In SFY 19...
 - 96% of children at risk of Out of Home Care (OOHC) remained safely in the home at closure of FPP services
 - 91% of children at risk of OOHC remained safely in the home at the 6 month follow up
 - 86% of children at risk of OOHC remained safely in the home at the 12 month follow up

 - Fiscal analysis of FPP indicated an average cost of \$6,021/family* for FPP services compared to the cost of over \$50,000/child* for the average number of months in OOHC.

* Source: DCBS Family Preservation Services Annual Report and Foster Care FACTS Report

Priority Areas Needing Resources



Other Areas Needing Resources

Outcome Based Contracting (required by HB1 in the 2018 Legislative session):

- *Progress Rate* – Discharging children to lower levels of care
- *Placement stability* – Keeping children in the same foster home whenever is safely and reasonably possible to meet the child's needs.
- Need resources for monitoring, infrastructure and incentives for providers who achieve the outcome measures.

Other Areas Needing Resources

Support for Child Welfare Services:

DCBS State Budget Amount			
2009	2016	2019	% increase '09 to '19
\$1,029,741,300	\$1,025,695,674	\$1,259,382,700	22%

	2009	2019	% increase '09 to '19
# of Investigations	33,001	52,628	59%
# of Substantiations	9,112	15,182	67%
# of Children Placed in Out of Home Care	7,222	9,916	37%
# of DCBS Workers	4,702	4,423	-6%

Source: 2012 and 2019 Child Abuse and Neglect Annual Report of Fatalities and Near Fatalities and DCBS Monthly Fact Sheets

Recommendations For Action:

- Reimburse Residential/Shelter providers to cover the cost of care – room, board, watchful oversight, treatment and school expenses. *(Increase at least \$14 million)*
- Support the funding for the creation a reimbursement method that:
 - ✓ Promotes positive outcomes *(Increase at least \$7 million)*
 - ✓ Covers the cost of care, and
 - ✓ Reimburses for necessary services *(Work with Cabinet)*
- Increase established Medicaid Rates for Behavioral Health Services in Kentucky to cover the cost of care. *(Work with Cabinet)*
- Increase the number of children/families served through Family Preservation Services. *(Increase at least \$40 million)*
- Increase OVERALL DCBS budget to ensure reasonable caseload/workload for DCBS investigators and workers *(Work with Cabinet)*



Questions:

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