PROGRAM EVALUATION

CABINET FOR HUMAN RESOURCES
REIMBURSEMENT TO PRIVATE
CHILD CARE AGENCIES

Research Report No. 217
Legislative Research Commission

Frankfort, Kentucky

Committee for Program Review & Investigation
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CABINET FOR HUMAN RESOURCES
REIMBURSEMENT TO
PRIVATE CHILD CARE AGENCIES

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FOREWORD

The 1984 General Assembly passed House Concurrent Resolution No. 30 “directing the Legislative Program Review and Investigations Committee to study the Cabinet for Human Resources’ reimbursement system for services rendered to children by private, non-private child-care agencies.” This report and its recommendations were adopted by the Program Review and Investigations Committee on April 1, 1985.

Our appreciation is extended to the Department for Social Services and the Group Child Care Association of Kentucky who cooperated in this study. Particular appreciation is extended to Betty Triplett and Charles Bonta in the Department, and Susan Dance and Jeanie Sutherland of the LRC staff, for their assistance.

Vic Hellard, Jr.
Director

The Capitol
Frankfort, Kentucky
June, 1985
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SUMMARY

Background

The 1984 General Assembly passed House Concurrent Resolution No. 30,
directing the Legislative Program Review and Investigations Committee
to study the Cabinet for Human Resources' reimbursement system for
services rendered to children by private, non-profit child care agencies.

Issues addressed in the resolution included:

* the cost of services provided by private, non-profit child care agencies;
* a comparative analysis of costs of services rendered by state-operated and
  private agencies; and
* a comparative analysis of reimbursement systems in the southeastern states.

At its July, 1984 meeting, the Program Review and Investigations Committee ap-
proved a full review based on the detailed workplan prepared by committee staff.

Program Description

The Cabinet for Human Resources (CHR) has statutory responsibility for
children committed to it by the juvenile session of district court. KRS Chapters 199 and 208
address these mandates. Specifically, KRS 208.410 requires the Cabinet to arrange for

a program of care, treatment and rehabilitation of the children commit-
ted to it, which program shall be designed to provide for classification,
segregation and specialized treatment of children according to their
respective problems, needs and characteristics....

The Department for Social Services (DSS) within the Cabinet for Human
Resources provides or arranges for care of committed children. Placement of children in a
private, non-profit child care agency is one alternative in a continuum of care system,
which also includes in-home services, day treatment, foster family care, and public
operated group home, residential or institutional placements.

The Cabinet does not find private non-profit child care appropriate for all com-
mitted children. Children who the Cabinet feels are most suited to such care are: those who
have not adjusted well to foster family care; children needing short-term emergency
placements; children with more serious emotional, behavioral or physical problems than a foster family can handle; and the status offenders or public offenders who need a structured environment.

The Cabinet presently has a contractual arrangement with forty-two licensed child care providers. These agencies agree to care for children placed by the Cabinet, while the Cabinet agrees to pay a set amount of money for each day an individual child is in care. Programs in the agencies vary, from those offering caretaker and referral services to those providing intensive treatment-oriented services.

Objective of the Review

This study describes the private non-profit child care agencies used by the Cabinet for the care of children committed to it. The major emphasis is on the financial aspects of this child care system. The review details the Department for Social Services’ method and amount of reimbursement to agencies. Further analysis includes:

* comparing the Cabinet’s reimbursement amount to those of other southeastern and surrounding states;

* comparing the Cabinet’s reimbursement rate to the cost incurred by the private agencies; and

* comparing the cost incurred by the Cabinet in state-operated group homes for children to the cost incurred by similar private agencies for their care of children.

Additionally, the study addresses the issue of the relationship between the Department for Social Services and the private sector, including perceptions of quality of care and possible problems in the delivery of services.

Types and Sources of Data

Information was gathered from the Department for Social Services by:

* written request for budget and expenditure computer printouts, regulations, policy and practices statements;

* review of the monthly Imprest Cash Vouchers submitted to the Cabinet by a sample of eighteen private child care agencies;

* questionnaires sent to each state-operated group home; and

* interviews with appropriate central office staff as well as fifteen field staff throughout the state, and visits to group homes.

Information related to payment systems used in fourteen states was gathered through questionnaires and follow-up interviews. Financial and programmatic aspects of
the private agencies were determined through a review of a random stratified sample of eighteen private care agencies. Data were collected through the use of written questionnaires, interviews, and visits to private agencies.

Findings, Conclusions and Recommendations

Research Question: What is the degree to which private non-profit agencies care for children committed to the Cabinet for Human Resources?

In Kentucky, private child care agencies serve 16-17% of the children committed to CHR in alternate living arrangements and receive 20-22% of the foster care budget. During FY 1984 these agencies served 1,135 children and were reimbursed $2,297,722 for their services.

The sample of agencies indicated that 56% of the children they served were legally defined as dependent/neglected or abused. This group is generally considered to be an easier group to serve than the status and public offenders. However, approximately one-fourth of the population served was status offenders and a lesser number (18%) was made up of public offenders. Status offenses are acts which, if committed by an adult, would not be a crime, such as truancy or running away from home. Of the population sampled, 75% were teenagers, while 25% were younger children. It was the sample agencies’ opinion that almost one-half (49%) of the children had moderate or major emotional problems, and 70% had moderate or major behavioral problems. In summary, the sampled private child care agencies are most likely to serve the “troubled” older child who has not been adjudicated by the courts as a delinquent or a status offender.

Research Question: What is the reimbursement rate for care of children placed in private agencies in Kentucky and other southeastern and surrounding states?

Kentucky Reimbursement Rate

For purposes of detailed analysis, FY 1983 reimbursement figures were calculated for the sample private agencies. There were eighteen discreet daily rates paid during that fiscal year, ranging from a low of $6.06 to a high of $37.25. The average daily reimbursement rate for the sample was $14.18. A review of the agencies’ contracts and “Schedule of Payments” agreements indicated ten separate factors or variables which determined the amount of reimbursement. In summary, these factors fall into three categories:

* The characteristics of the child served (i.e., age or type of problem);
* The services offered in the agency (i.e., availability of social services, emergency placement services, treatment-oriented services); and
* The limitations the Cabinet places on the allowable reimbursement (i.e., limited number of authorized "slots," rates negotiated for each child separately, and fixed rates contracted regardless of the child's characteristics).

The rate structure is complex and confusing and provides numerous opportunities for inequities in payment to arise. Departmental interviewees were asked their opinion of why inequities existed. Central office staff cited a historical policy of negotiating private agency contracts separately without an overall review of other similar agencies and a lack of funds to rectify observed inequities as the major reasons. Additional explanations of inequities by Departmental field staff related to the placement of "troubled" children in lower reimbursement agencies because more appropriate placements were not readily available.

Other States' Reimbursement Rates

Fourteen states, either surrounding Kentucky or in the southeastern region, were surveyed to determine their reimbursement systems and rates. No two states reimburse the private agencies at the same rate. Each state is affected by unique budgetary limitations and allocation patterns.

Nine states reported on the type of system they used:

* four states reimbursed private agencies by the flat-rate fee-for-service system;
* one state negotiated rates with each agency separately;
* one state paid a percentage of actual costs; and
* three states combined at least two of the aforementioned systems.

Six states provided sufficient FY 1983 service/payment data to permit a comparative analysis with Kentucky. The lowest average reimbursement rate, $6.87, was in South Carolina, and the highest average rate, $39.25, was in Tennessee. The average rate for all states was $22.53, and Kentucky's average rate was $14.18.

Research Question: What is the cost of child care in Kentucky private agencies and state-operated facilities?

Costs of child care were calculated for the eighteen sample private agencies surveyed, and the nine state-operated group homes operating the entire FY 1983. Costs of child care are shown as the average cost of care for one child for one day. To calculate the average daily costs per child, the total number of FY 1983 service days for all children served was divided into the total FY 1983 program expenditures.

The average daily cost for a child in the sample private child care agencies in FY 1983 was $41.96, ranging from a high of $57.73 to a low of $21.74. The state child care program most similar to private child care is the state-operated group home program. During
FY 1983 fifteen group homes were operated by the Cabinet. Each facility served eight or fewer children, providing a structured program for those between the ages of fourteen and eighteen who were status or public offenders. For purposes of this analysis, only the nine state-operated group homes which were in existence the entire year were used. The average daily cost for a child in these nine facilities was $72.78 for FY 1983, ranging from a high of $94.80 to a low of $54.98.

**Research Question: How do reimbursement rates for services in private child care agencies compare with the actual cost of care and cost of care in state-operated facilities?**

State reimbursements to the sample of private child care agencies paid for an average of 39% of the average daily cost of care. The range of reimbursement varied from a high of 74% of cost at the Florence Crittenton emergency shelter in Lexington to a low of 16% of cost at the Youth Haven group home in Highland Heights. This variance in payment of as much as 58% further illustrates the inequities in the reimbursement system.

In order to compare state-operated group homes with appropriate private agencies, a rating scale was developed to identify those agencies which were most similar to the state-operated group homes. Based on this rating scale, three of the sample private agencies were identified as comparable to the state facilities. These are Rood House (Rockcastle County), Camp Nelson (Garrard County), and Maryhurst (Jefferson County).

The average daily cost for a child in a fully operational state-operated group home for FY 1983 was $72.78, while the average daily cost for the similar private child care agencies was $44.09. On the average, state group homes cost 39% more to operate than do similar private agencies.

When the amount of money expended by the Cabinet for care of children in state-operated group homes is compared to that in similar private agencies, the gap in expenditure widens. The average cost in a state facility was $72.78, while the state’s average reimbursement rate was $26.62 for these similar programs, a difference of 63%.

While the scope of this study did not include in-depth research into why state-operated group homes cost more than the private agencies, three reasons are noted as possible and partial explanations:

* State government appears to pay better salaries and have better fringe benefits than most private agencies. Data show that direct personnel costs are 27% higher in state group homes than in the similar private agencies.

* Private agencies, often religiously affiliated, receive in-kind contributions, both of a material and service nature, which are not calculated into the expenditure figures and exceed greatly those in-kind contributions received by state-operated group homes.

* The indirect costs associated with the administration of a large service program may necessitate higher proportional indirect costs than the smaller, less bureaucratic administrative demands of a private agency.
The above discussion provides objective evidence of the disparity between costs and reimbursements. Interviewees were also asked their opinion of the adequacy of the CHR reimbursement rates. Both the Department and private agency interviewees thought the level of reimbursement for care of committed children inadequate. Most reimbursements do not meet basic care requirements and none meet total service need. However, most agency interviewees did not expect the State to pay 100% of cost, but would be satisfied with “75% of cost” or “$25 a day.” Rarely did an interviewee have a negative comment about the reimbursement process.

RECOMMENDATION 1

The Cabinet for Human Resources should revise its reimbursement system to private child care agencies in order to correct existing inequities. The actions taken should include a budget request for funds to support the services provided by the private child care program.

Research Question: What is the degree of satisfaction with Kentucky’s private child care system and what are possible areas in which the system can be improved?

Assessment of Quality of Care

The issue of quality of care, both planning and service provision, was discussed with all interviewees. The Department employees were generally satisfied with the quality of care provided, although some agencies were thought to perform better than others. Agencies likewise felt there were “good” social workers and “bad” social workers. Agency directors expressed frustration with social workers who did not visit children regularly or plan appropriately for children.

An issue related to quality of care by both agency and Department staff is the assessment of children’s needs and programs of care for them. Routine and formal assessments of private agencies which care for committed children are not made by the Department. However, two indirect forms of assessment are undertaken: the Division of Licensure and Regulation (L & R) within the Inspector General’s Office of the Cabinet does license and annually inspect all private child care agencies; and social workers do visit and plan for children while they are in the agencies. Some private agency directors felt that the Department’s social workers did not visit each child as frequently as required by policy or were not aggressively involved in the child’s planning. One interviewee stated that their program was negatively rated by L & R because casework requirements of the Department’s social workers were not completed.

The Department recently has asked the Division of Licensing and Regulation to assess the care of committed children as a means of learning more about the quality of service provided. Some Departmental professionals were concerned that social work judgments and decisions about committed children would be made by the L & R staff, who
may not be trained social workers. This concern and the need for the Department to be apprised of current conditions within the agencies lead to:

RECOMMENDATION 2

The Department for Social Services should establish an assessment process regarding all agencies in which committed children are placed. The assessment should contain a formal means of collecting data on an annual basis, with routine updating based on program changes or irregularity in casework. Data collected should include:

1. Division of Licensure and Regulation reports regarding regulatory compliance and casework practices;
2. Department social workers’ assessments of the agency’s effectiveness or shortcomings in accomplishing the casework plan; and
3. agency information including the “Request for Proposal” and their assessment of the effectiveness of the casework planning and their service programs.

Analysis of the assessment data should be used to:

1. provide Department field staff with a list of private agencies that notes the types of children and programs best served by each agency;
2. provide a mechanism for investigation by the Department and the Division of Licensure and Regulation of any agency suspected of inappropriate care of children; and
3. provide a mechanism for investigation of any violation of casework practice, as required by the Department.

Acceptance of “Hard to Handle” Children

The Department interviewees thought that the private child care agencies were not always willing to accept the children in most need of services, primarily the child characterized by behavioral or emotional difficulties. They viewed this unwillingness as a major problem with the private agencies. Most private agencies interviewed assumed it was their prerogative to make the final determination regarding admittance or removal of a child. As stated earlier, the sample agencies thought a majority of the children they served had emotional or behavioral problems, despite the fact that these children generally were not status or public offenders.

RECOMMENDATION 3

In order for the Department to achieve more accurate assessment and appropriate placement of committed children, it should establish a list of characteristics of children to be incorporated in the agencies’ “Request for Proposal,” the Schedule of Payment form, or a negotiated contract. Subsequently, the agency should specify from this list the characteristics which it is able and willing to serve, thereby better enabling a social
worker to pair a child with an appropriate private child care agency. The agency should then accept such delineated children from the Department as space becomes available.

The private agency should have the prerogative to reject at admission or dismiss after admission particular children if:

1. the Department has not provided the agency with sufficient or accurate background information regarding the characteristics of the child;
2. sufficient funds are not available to the agency to provide the child-specific services required in the casework service plan;
3. care of a particular child would potentially endanger that child or other children in the agency; or
4. care of a particular child would jeopardize the agency’s ability to meet particular licensing or regulatory requirements.

At the end of one year following the acceptance of this recommendation by the Program Review and Investigations Committee, the Department and private agencies should report to the Committee whether the listing and pairing of characteristics has reduced placement problems.

Both the department and private agency interviewees thought the hard to place children, particularly the chronic runaway, behaviorally and emotionally troubled, and the older teenager with a goal of independent living were less likely to have their needs met in the existing continuum of care system. Finally, the shortage of placements for hard to place children is related to the Cabinet’s ability to pay for services.

RECOMMENDATION 4

The Cabinet for Human Resources, in cooperation with the private child care agencies, should determine effective child care programs for the following three groups of committed children:

1. the chronic runaway juvenile;
2. the child who is hard to place because of behavioral or emotional problems; and
3. older teenagers with a goal of independent living.

The Cabinet should address the following tasks:

1. assessment of the number of committed children placed in substitute care who fit the above description;
2. research of existing programs and program components throughout the nation that successfully serve children in these three groups;
3. analysis of the program types, characteristics, length of care and overall components which could be used in the Commonwealth to serve these three groups;
(4) exploration of potential private and public funding sources and existing resources to provide the desired programs and program components; and

(5) designing a plan of action for Kentucky utilizing such information.

The Cabinet for Human Resources should present the results of their study to the Program Review and Investigations Committee prior to the 1986 session of the General Assembly.
CHAPTER I

INTRODUCTION

Definitions

Average daily cost means the total number of service days divided by the total expenditures for an agency or facility in a year.

Cabinet means Cabinet for Human Resources (CHR).

Committed children means children adjudicated as dependent, neglected or abused or as status or public offenders by the juvenile session of district court.

Department means Department for Social Services (DSS) within the Cabinet for Human Resources.

Foster Care means a substitute temporary 24-hour living arrangement for children committed to the Cabinet primarily in foster family homes or private child care agencies.

Private Child Care (PCC) Agency means a non-governmental organization that operates one or more licensed facilities for the 24-hour care of children.

Reimbursement means total or partial financial compensation for Private Child Care Agencies for services rendered to or money spent for CHR committed children.

Reimbursement Rate means a set amount of money the Department is willing to pay for each day a child resides in a particular private child care agency. This rate is stated in a child-specific contract between the Department and the child care agency.

Service days means the total number of days a child resided in a given agency over a one-year period.

Purpose of and Mandate to Conduct a Study

The 1984 General Assembly passed House Concurrent Resolution No. 30 "directing the Legislative Program Review and Investigations Committee to study the Cabinet for Human Resources' reimbursement system for services rendered to children by private, non-profit child-care agencies." At its July, 1984, meeting the Program Review and Investigations Committee approved the review.

The study had five main objectives:

* To determine the degree to which private non-profit agencies care for children committed to the Cabinet for Human Resources;

* To determine the reimbursement rate for care of children placed in private child care agencies in Kentucky and other Southeastern and surrounding states;
* To determine the cost of child care in Kentucky private agencies and state-operated facilities;

* To compare reimbursement rates for services in private child care agencies with their actual cost of care and state-operated facility cost of care;

* To determine the degree of satisfaction with Kentucky's private child care system and possible areas in which the system could be improved.

Methodology

Information concerning reimbursement rates paid by other states was gathered from questionnaires and followup calls made to the fourteen states in the surrounding and the Southeastern region. Supplemental data included a 1983 Department for Social Services Survey of States in the Southeastern region. The Department provided data about its rate structure, payment and program practices, specific agencies' contracts and program expenditures.

To determine the relationship between the Department's reimbursements to private child care agencies and the actual cost of child care, a sample was chosen from the thirty-seven facilities which served children committed to CHR in FY 1983 and continued to serve through contractual agreement in the following year, FY 1984. These thirty-seven agencies were stratified into the four types of programs licensed by the state: group homes, institutions, treatment-oriented programs, and temporary/emergency shelters. A number equal to 50% of the agencies was randomly drawn from each of the four groups, thus giving a total random sample of eighteen agencies. The eighteen directors were sent a written questionnaire requesting information concerning their FY 1983 expenditures, types of services provided, and the numbers and types of children served. Program directors or their designees were interviewed to clarify questionnaire information and to learn about the agencies' responsibilities and relationship with the Department concerning program and financial matters.

In order to determine actual reimbursement amounts, each monthly Imprest Cash Voucher (DHR-110 form) submitted by the eighteen sample agencies for FY 1983 was reviewed. Information collected included the amount and type of reimbursements paid by the state, the number of children for which reimbursement was made, the reimbursement rate for each child, and the number of service days for which each child was provided care at each agency in FY 1983.

The Department provided detailed financial information about each state-operated group home, information concerning the number of state-operated group homes and services provided at each. Questionnaires were sent to the Department and forwarded to each facility concerning the number of children served and number of service days for each child in FY 1983. This procedure was designed to assure the most accurate count of children served possible.
Finally, employees of the Department throughout the state were interviewed, including directors of five state-operated group homes or their designees, five Departmental court liaisons, three social workers, and two social worker supervisors. Additionally, interviews with employees in the Department's central office and officers of the Group Child Care Association of Kentucky provided information about the Department's program for committed children, policies, practices and concerns of the Department, and its relationship with the private child care industry.

Report Overview

This report is divided into six chapters. The introduction defines the Study's purpose and methodology. Each of the following chapters has a conclusion which summarizes the main points and recommendations, if appropriate.

Chapter II is a description of the private child care system. It includes the legislated mandates and licensing requirements, the role private agencies play in the Cabinet for Human Resources' care of committed children, funding of services and a description of the children served.

Chapter III describes the reimbursement system used by the Cabinet in Kentucky. It details the range of reimbursement rate options and shows the current daily rates for each contracted agency. Additionally, this chapter discusses rate systems in surrounding states and the Southeastern states, highlighting six states which provided cost and service data.

Chapter IV details the costs of caring for children in the eighteen sample private child care agencies studied. It also describes and provides cost information for the state-operated group homes, which will be compared to that of the private agencies in the following chapters.

Chapter V, using the data from Chapter IV, compares:

* The private agencies' costs with CHR reimbursements;
* The private agencies' costs with state-operated group homes' costs;
* The private agencies reimbursements with the state-operated costs; and
* The state-operated group homes' costs with the costs and reimbursements of the private agencies which have programs similar to the State program.
CHAPTER II

DESCRIPTION OF THE CABINET FOR HUMAN RESOURCES SERVICES TO CHILDREN COMMITTED TO ITS CARE

Statutory Mandate

The Cabinet for Human Resources (CHR) has statutory responsibility for children committed to it by the juvenile session of district court. KRS Chapter 199, “Protective Services for Children—Adoption,” and KRS Chapter 208, “Juvenile Proceedings—Commitment and Care of Children,” address these specific mandates. KRS 199.460 states that the Cabinet shall, whenever possible, locate and plan for all children who are dependent, neglected, abused, abandoned or in danger of becoming delinquent.

Further, KRS 208.410 requires the Cabinet to arrange for “a program of care, treatment and rehabilitation of the children committed to it, which program shall be designed to provide for classification, segregation and specialized treatment of children according to their respective problems, needs and characteristics...” KRS 208.430 permits children committed to the Cabinet to be placed in their natural homes, foster homes, family or boarding homes or institutions operated by the State, local governments or private organizations.

Foster Care is one protective service which provides substitute, usually temporary care for children committed to the Cabinet. While most children who must be separated from their parents and families are placed in foster family homes, some children are placed in privately operated child care agencies, group homes or emergency shelters.

Private Child Care as a Part of a Continuum of Care

Committed children may receive services through in-home care, day treatment, foster family care, group homes, institutions or residential placements. The types of placements and services provided, which attempt to meet differing needs of committed children, constitute the “continuum of care” system. The Cabinet attempts to place committed children in the least restrictive setting, pursuant to the Uniform Adoption Act (P.L. 96-272) and the Education of Exceptional Children Act (P.L. 94-142). This process is consistent with the philosophy that a child should be in the most homelike environment possible, while still having his special needs met.

Concerning the role of private child care agencies, the Department reported:

...private child care is not appropriate as a single point on the continuum of care but rather can be useful to meet the needs of children at several alternative points along the continuum.
The specific "points along the continuum" were identified as follows:

* At Time of Entry into Foster Care—
  Emergency placement until a more suitable arrangement is found;
  First placement to allow time for an assessment of the child's needs;
  Temporary placement to enable stabilization of the child's family.

* Placement of Choice for—
  Dependent or status offenders who are unable to adjust to foster family care;
  First offenders who are placed in private care as a less restrictive environment than the Department-operated residential programs;
  Children who are emotionally disturbed, sexually abused, mentally retarded or who have behavioral problems and are in need of a more treatment-oriented program;
  Sibling groups, in order to avoid separation;
  Older children who need to acquire independent living skills.

* Following Foster Family Care
  Children who have not adjusted well to foster family care, because they have further treatment needs, need greater structure or a more formalized group setting.

* After-Care (after the Department's residential programs)
  Status offenders or delinquents in need of transition back into the community;
  Status offenders or delinquents who do not have responsible family or foster family homes to return to following the Department's residential program;
  Children needing a placement that will allow them to prepare for independent living.

Licenseing as a Means of Assessing and Maintaining Quality Services

As the preceding discussion shows, private child care is viewed as an important part in the continuum of care for children committed to the Cabinet. It seems noteworthy that private child care agencies are required, under KRS 199.640, to be licensed yearly, in
an effort to assure a minimum standard of operations. The regulatory function provides a
useful check on the quality of the child care agency.

The Division of Licensing and Regulation within the Inspector General’s Office of
the Cabinet for Human Resources provides the regulatory functions mandated in KRS
Chapter 199. Specifically, 905 KAR 1:065 pertains to the operation of private child care
institutions; 905 KAR 1:071 pertains to the group homes for foster children; 905 KAR 1:091
provides minimum standards for the operation of institutions and group homes not
operated by the State; and 905 KAR 1:110 pertains to treatment-oriented child care.

Child-caring institutions provide 24-hour care for nine or more children. These
agencies must have a social worker staff, child care staff and support staff. The minimum
staff-to-child ratio is one staff person to every twelve children. Regulations govern aspects
of the child’s care, including the physical facilities, health and safety standards, nutritional
requirements, required social services to the child and family, record keeping and specifics
of the program of care and daily activities.

A group home means a homelike agency for eight or fewer children, which is not a
part of an institutional campus and which participates in local community activities and
draws on local resources. Regulations specify a minimum staff-to-child ratio of one staff
person for every four children. Social services must be provided for the children, but they
may be arranged by referral. Other areas of regulation are similar to those for institutions.

Treatment-oriented child care may be provided by institutions or group homes
which are licensed to do so. Eligible children must need therapeutic treatment as specified
in a psychosocial evaluation. The agency must provide accepted treatment programs con-
ducted by trained professionals. Regulations govern intake and admissions procedures,
conference, staffing requirements, programs of services, discipline in group therapy,
termination of service and aftercare and the maintenance of client records.

Role of Private Child Care Agencies

Historically, many of the private child care (PCC) agencies were church-
supported organizations, serving as orphanages and permanent homes for abandoned or
needy children. As government grant assistance and social services to families and children
in their homes increased, the need for long-term institutional care decreased. In more recent
times these private non-profit organizations have received financial support from the state,
local and federal governments to maintain their child-caring services. Simultaneously they
have been asked to provide services to a different population of children—those who are
legally committed to the State and dependent on the State for care and protection.

The following chart indicates the FY 1984 level and source of funding provided to
the private child care industry through the Cabinet for Human Resources.
### CHART 1

**FUNDING SOURCES AND BUDGET AMOUNTS**  
**PRIVATE CHILD CARE AGENCIES**  
**FY 1984**

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>BUDGETED AMOUNT</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>State general funds</td>
<td>$1,036,800</td>
<td>47%</td>
</tr>
<tr>
<td>Title IV-B of the Social Security Act*</td>
<td>260,700</td>
<td>12%</td>
</tr>
<tr>
<td>Title IV-E of the Social Security Act*</td>
<td>657,800</td>
<td>30%</td>
</tr>
<tr>
<td>Trust and Agency funds (child support, Social Security*, Railroad Retirement, etc.)</td>
<td>259,700</td>
<td>11%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,215,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

* Federal Funds.

The State, through the Cabinet for Human Resources, has supported those private agencies which best serve the needs of the Department and the committed children. This point was made in a July, 1982, report generated by the Department’s central office staff. The report described and explained a 61% vacancy rate in private child care agencies. It concluded that the agencies which operated:

at or near capacity are, for the most part, those that have changed their programs to meet needs that are relatively difficult to meet elsewhere, such as (1) children committed for delinquency offenses; (2) status offenders with persistent acting out behavior; and (3) children with moderate to severe emotional/behavioral problems.

#### Numbers of CHR Contracted Private Child Care Agencies and the Children Served

Currently, the Cabinet contracts with forty-two separate private agencies, but for accounting purposes there are only thirty administering agencies, six of which operate more than one facility. Chart 2 shows the numbers of CHR contracted agencies and the numbers of committed children served in them during FY 1982, FY 1983 and FY 1984. For each fiscal year private child care agencies served almost one-sixth (16%-17%) of all foster care children, receiving approximately one-fifth (20-22%) of all dollars expended by CHR on foster care.
CHART 2
COST COMPARISON
CHR-COMMITTED CHILDREN
NUMBER OF PCC AGENCIES

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Number CHR-Placed Children</th>
<th>Total Number PCC Children</th>
<th>PCC Percent Of Total</th>
<th>No. of CHR-Contracted Agencies</th>
<th>Total Dollars Expended On CHR-Placed Children</th>
<th>Total Dollars Expended On PCC Children</th>
<th>Percent Of Total Dollars for PCC Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>6,132</td>
<td>1,042</td>
<td>17%</td>
<td>49</td>
<td>$7,551,099</td>
<td>$1,681,942</td>
<td>22%</td>
</tr>
<tr>
<td>1983</td>
<td>6,704</td>
<td>1,135</td>
<td>17%</td>
<td>47</td>
<td>$9,081,638</td>
<td>$2,038,388</td>
<td>22%</td>
</tr>
<tr>
<td>1984</td>
<td>6,508</td>
<td>1,108</td>
<td>17%</td>
<td>46</td>
<td>$11,405,680</td>
<td>$2,297,722</td>
<td>20%</td>
</tr>
</tbody>
</table>


Types of Children Served by Private Child Care Agencies

As stated earlier, the Department views private child care as a resource in the continuum of care available to a committed child. In particular, these agencies serve the following types of children:

* Children needing emergency short-term placement (under thirty days);
* Dependent/neglected/abused children unable to adjust to foster family care;
* Children with serious emotional, physical or behavioral problems, who would strain the parental expertise and resources of foster parents;
* Status offenders or delinquents who need a more structured environment prior to re-entry into the community.

Data was obtained from questionnaires returned by the eighteen sample agencies concerning age, legal status and the type or degree of problems. Respondents were asked to most accurately describe the kinds of children served by their respective agencies by grouping them in the categories shown in Chart 3 and 4. Of the population sampled, 75% were teenagers, while 25% were younger children. The dependent/neglected or abused children comprised 56% of the population, and the status and public offenders made up the remaining 44%. It was the sample agencies' opinion that almost one-half (49%) of the children had moderate or major emotional problems, and 70% had moderate or major behavioral problems.
### CHART 3

**PCC SAMPLE POPULATION BY AGE/LEGAL STATUS**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Percent of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 0-5</td>
<td>3%</td>
</tr>
<tr>
<td>Ages 6-13</td>
<td>22%</td>
</tr>
<tr>
<td>Ages 13-18</td>
<td>75%</td>
</tr>
<tr>
<td>Dependent/neglected/abused</td>
<td>56%</td>
</tr>
<tr>
<td>Status Offenders</td>
<td>26%</td>
</tr>
<tr>
<td>Public Offenders</td>
<td>18%</td>
</tr>
</tbody>
</table>

### CHART 4

**PCC SAMPLE POPULATION BY TYPE/DEGREE OF PROBLEM**

<table>
<thead>
<tr>
<th>TYPE OF PROBLEM</th>
<th>DEGREE OF PROBLEM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NONE</td>
</tr>
<tr>
<td>Emotional Problems</td>
<td>24%</td>
</tr>
<tr>
<td>Behavioral Problems</td>
<td>12%</td>
</tr>
<tr>
<td>Psychological Disorders</td>
<td>49%</td>
</tr>
<tr>
<td>Mental Handicaps</td>
<td>68%</td>
</tr>
<tr>
<td>Physical Handicaps</td>
<td>77%</td>
</tr>
</tbody>
</table>

**SOURCE:** Program Review and Investigations Questionnaire to Sample Private Child Care Agencies
Description of Services Provided by Private Child Care Agencies

The Kentucky Administrative Regulations establish criteria for licensing of PCC agencies. This licensing assures that certain types and a certain quality of service are maintained. Guidelines mandated in the regulations relate to food, clothing, shelter, nurturing and educational practices, recreational and spiritual services, medical/dental care and social services, staffing patterns for care, and periodic client-review and reporting. Additional criteria are applied for treatment-oriented programs relating to psychosocial evaluation of the children served, subsequent therapeutic treatment and guidelines for continuum of care.

Prior to FY 1985, the basic services were agreed to by the PCC agency and the Department for Social Services (DSS) in the form of a standard contract, negotiated annually, with supplemental services occasionally added to the reimbursement agreement through an instrument called the “DSS Alternate Care Rate Schedule.” Currently, the contractual arrangement between the DSS and the respective PCC agencies takes the form of a revised standard contract and a “Request for Proposal” (RFP), designed by DSS and completed by the individual agency, listing actual services to be provided for the children.

The RFP services include those listed in mandated Kentucky Administrative Regulations, with social services available from outside the agency or within. Most agencies offer one or more specialized services, such as tutoring, individualized incentive programs, vocational training, individual counseling, drug and alcohol education, sex education and community involvement. A few agencies provide their own school programs. Treatment-oriented agencies are more highly specialized, providing a number of therapeutic programs.

Summary

1. Historically private child care agencies were privately funded, primarily through religious organizations, and they cared for the orphaned, abandoned or dependent child. Modern society and governmental social agencies have challenged these agencies to serve a more “troubled” child — the older, emotionally unstable and behaviorally acting out child who has limited support from his/her natural family.

2. In Kentucky the private child care agencies serve 16-17% of children committed to CHR in alternate living arrangement and receive 20-22% of the foster care budget. During FY 1984 these agencies served 1,108 children and received $2,297,722.

3. The Department for Social Services places the following types of children in Private Child Care Agencies:

* Children needing an emergency short-term placement (under thirty days);

* Dependent/neglected/abused children unable to adjust to foster family care;
* Children with serious emotional, physical or behavioral problems, who would strain the parental expertise and resources of foster parents;

* Status offenders or delinquents who need a more structured environment prior to re-entry into the community.

4. In FY 1983, in those eighteen agencies sampled, 75% of the children served were ages thirteen to eighteen, only 26% were status offenders, and 18% were public offenders. Interviewees thought 56% of the children had moderate or major emotional problems and 70% had moderate or major behavioral problems.
CHAPTER III

REIMBURSEMENT TO PRIVATE CHILD CARE AGENCIES FOR SERVICES RENDERED

Description of the Payment System Used in Kentucky

The reimbursement system currently in place in Kentucky is based on a fee-for-service as rendered by the private child care agency, defined generally by the age of the child, the type of services available and the degree of difficulty of the child’s problems. A statement by a Department spokesman offers the following summary.

Initially the rate of reimbursement was based on standard per diem rates for different levels of care and the amount is specified in the Department’s contract with each agency. Over the years, individual negotiations and/or changes in the admission practices of private child care facilities have caused variations to appear in this system. The rate schedule takes into consideration whether the facility provides social services to children, the age of the child, needs of the child including any special care or handicapping condition. The basic rate schedule was developed on the presumption that children with the greatest needs should be provided the greater number of services and the facility that provides these services should receive more reimbursement than facilities which only provide a minimum of services.

Process by Which Private Child Care Agencies Are Reimbursed

When the state places a child in a private agency, a Schedule of Payment form (DSS-114) is prepared by the Department. The payment form is completed for each child and the applicable contracted rate is inserted. In some instances, the reimbursement rate may be negotiated to more accurately reflect the needs of a child. At the end of the month, the names of all children served and other basic information about each child are entered on the Imprest Cash Voucher (Form DSS-110) by a representative of the agency or by the local social worker, thus initiating the process for requesting payment. Then the form is signed by the provider, the social worker and the social worker’s supervisor and forwarded to the Cabinet’s Division of Imprest Cash in Frankfort by the fifth of the month. There a “pre-audit” is conducted to verify that the bill conforms to the contract and is properly authorized. During the “pre-audit,” the employees must confirm the entry and exit dates for each child from the Schedule of Payment form so that reimbursement can be made for the accurate number of days for which the child received care. Also, all birthdates must be checked each month for those children who are assigned to the Basic Rate Schedule, because rates are subject to increase as specific ages are reached. If there are no problems, a reimbursement check is usually issued within two or three weeks.
Rate Structure and Services Which Are Reimbursed

There are three basic daily reimbursement rate levels with several options in each category. Level I daily rates constitute the lowest reimbursement rates and are applied to agencies which provide the least restrictive setting and the more basic levels of care.

With the approval of the field office supervisor, an “extraordinary” rate may be paid to an agency which contracts at the basic daily rate for care of a specific difficult child. If an agency has previously agreed to serve the more “troubled” child and has the capability to provide additional services as part of its contract, a Level II daily rate may be negotiated from the Level II range of rates ($10 to $25). This level requires the additional approval of the Social Services Manager. Level III daily rates, which only apply to selected treatment-oriented agencies, require a contractual agreement and prior approval of the Assistant Director for Field Services for each child admitted. Currently these rates range from $29.25 to $38.50. Temporary/emergency shelter agencies, which serve adolescents for approximately thirty days, contract with the Department at the flat rate of $17.25 per diem.

In addition to the contracted rate, the Department agrees to reimburse the PCC agency for specific additional services. These supplemental charges include essential transportation costs, school fees, initial clothing purchases, graduation expenses and other specific items. Approved medical and dental services not covered by Medical Assistance are paid directly to the care provider. During the PCC sample interviews, several respondents indicated that they did not understand departmental policy regarding additional reimbursed expenses. The review of the sample PCC Impress Cash Vouchers also indicated that only a portion of the agencies routinely billed for the supplemental services.

The Department requires the agency to spend a specific amount (varying according to the age of the child) for clothing, personal allowance, and incidentals. For example, a child under six is assigned a basic rate of $7.45, if there are no social services available. The monthly allowance requirements ($20 for clothing, $5 for incidentals, and $1 for personal spending) further reduce the basic rate by almost 12%. Consequently, the remaining $6.58 becomes the actual daily reimbursement amount to be used to defray the ongoing operating expenses incurred by an agency in its child caring endeavor.

Chart 5 is the Schedule of Payment form (revised for FY 1985) and indicates the possible rates for a child needing basic care (Level I), more supportive or programmatic services (Level II), or treatment-oriented care (Level III).
CHART 5

DSS-114
COMMONWEALTH OF KENTUCKY
R. 7/84
CABINET FOR HUMAN RESOURCES
DEPARTMENT FOR SOCIAL SERVICES

SCHEDULE OF PAYMENT

DSS PRIVATE CHILD CARE RATE SCHEDULE
with

(Name of Private Agency)

(Agency Address)

Name of Child __________________ Race ______ Sex ________

Birthdate __________ DSS Case No. __________ County ________

<table>
<thead>
<tr>
<th>PAYMENT RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAILY RATE*</td>
</tr>
</tbody>
</table>

<p>| Age of Child at | TOTAL | Payment Rate | TOTAL |</p>
<table>
<thead>
<tr>
<th>End of Month</th>
<th></th>
<th>Level</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Including</td>
<td>Excluding</td>
<td>Extraordinary</td>
<td>Extraordinary **</td>
</tr>
<tr>
<td>Under 6</td>
<td>$7.90</td>
<td>$7.45</td>
<td>Extraordinary**</td>
<td>Over $10.00</td>
</tr>
<tr>
<td>6-12</td>
<td>8.70</td>
<td>8.25</td>
<td>Level II***</td>
<td>Over $10.00</td>
</tr>
<tr>
<td>13 and Over</td>
<td>9.25</td>
<td>8.80</td>
<td>Level III****</td>
<td>Over $25.00</td>
</tr>
</tbody>
</table>

* Daily rates include all costs or services unless expressly authorized by provisions of the Private Child Care Contract between the agency and the Cabinet for Human Resources. The admission date of the child shall be included for payment but the release date is excluded from payment.

** Extraordinary rates must be negotiated and require Field Office Supervisor approval and signature.

*** Level III rates must have a prior contractual basis relative to the individual agency and prior approval of the Social Service Manager relative to each individual case.

**** Level III rates must have a prior contractual basis relative to the individual agency and prior approval of the Assistant Director for Field Services relative to each individual case.

The payment rate for this child shall be $ ______ per day for service covered by the Private Child Care Contract between the agency and the Cabinet and (does/does not) include social services as included in paragraph 1A.3 of that contract.

Admission Date ___________________________ Signed: ___________________________

for the Cabinet for Human Resources

Release Date ___________________________ Please note instructions above

*** **** ***** for appropriate signature.
Actual Reimbursements Made by the Department to Private Child Care Agencies

Chart 6 shows the increase in the number of children served and the increase in reimbursements from FY 1982 to FY 1984. These figures indicate a no significant increase in the number of children served in between FY 1982 and FY 1984. Program expenditures increased by 37% ($615,780) for the same time period.

CHART 6
PRIVATE CHILD CARE CHILDREN POPULATION AND REIMBURSEMENT
FY 1982-84

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>TOTAL NUMBER PCC CHILDREN</th>
<th>TOTAL DOLLARS REIMBURSED FOR PCC CHILDREN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>1,042</td>
<td>$1,681,942</td>
</tr>
<tr>
<td>1983</td>
<td>1,135</td>
<td>2,038,588</td>
</tr>
<tr>
<td>1984</td>
<td>1,108</td>
<td>2,297,722</td>
</tr>
</tbody>
</table>


The percentage increase in funding during FY 1983 and FY 1984 may not be typical of most fiscal years, as the 1982 General Assembly approved an appropriation for an across-the-board increase of $1.25 per diem per child for each year of the biennium. There was no additional appropriation by the 1984 General Assembly to facilitate increases in the current biennium.

Variation in the Rate Structure in Kentucky

The data gathered from the eighteen sample PCC agencies in FY 1983 indicated that the actual rates paid ranged from $6.06 to $37.25, with a total of eighteen discrete rates in the sample alone. Some of these were established in the Basic Rate Schedule (BRS) according to the age and social service variables. Other rates have evolved through negotiations, based on the upgrading of levels of care in some agencies and the needs of the children being served by DSS when various treatment-oriented programs were established.

The current study reviewed the rates and levels of care at all agencies with which DSS contracted at the beginning of FY 1985 according to rates and levels of care. Charts 7 through 13 list all forty-two agencies and their geographic locations by their daily rate schedules. Five of these agencies receive as many as two or more discrete rates. Of the eighteen agencies receiving basic rate reimbursement (Level I), five are without social services
and receive the lowest rate. Additionally, fourteen of the agencies furnish social services and receive the corresponding increment. Also, these agencies may negotiate with the Department for the "extraordinary" rate of $10.00, if they accept a more "troubled" child. One agency receives the "extraordinary" rate by contract for all the children it serves. Temporary/emergency shelter care flat rates are reimbursed to eleven of the agencies.

Level II rates are of two types—those negotiated for each child and those contracted by agency at a flat rate. Three of these agencies negotiate a rate for each child served, while eight agencies contract at a set rate.

The final rate category includes four treatment-oriented agencies. These provide more sophisticated services and receive higher reimbursement rates. The exceptions are the Diocesan Catholic Children's Home, the Presbyterian Child Welfare Agency, and the Buckhorn Children Center, which are licensed treatment-oriented institutions but are reimbursed at the basic (BRS) rate.

CHART 7

PRIVATE CHILD CARE CONTRACTS—FY 1985

Basic Rate Schedule—Level I Excluding Social Service
Daily Rate by Age

<table>
<thead>
<tr>
<th>Age</th>
<th>0-5</th>
<th>6-12</th>
<th>13+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>7.45</td>
<td>8.25</td>
<td>8.80</td>
</tr>
</tbody>
</table>

Agency

Daviess County Children's Center
(Levy Home)
Hack Estep Home for Boys
Hope Hill Children's Home, Inc.
Robert H. Williams Children's Home
Youth Haven

Location

Owensboro
Rush
Hope
Lexington
Highland Heights
### CHART 8

**PRIVATE CHILD CARE CONTRACTS—FY 1985**

**Basic Rate Schedule—Level I—Including Social Service**
(Extraordinary Rate Negotiated by Child)

**Daily Rate**

<table>
<thead>
<tr>
<th>Age</th>
<th>0-5</th>
<th>6-12</th>
<th>13+</th>
<th>Extraordinary #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>7.90</td>
<td>8.70</td>
<td>9.25</td>
<td>10.00</td>
</tr>
</tbody>
</table>

**Agency**

Bellewood-Presbyterian Home for Children  
Cleveland Home  
Diocesan Catholic Children’s Home  
Father Maloney’s Boys’ Haven  
Gertrude Ramey Children’s Home  
Glen Dale Children’s Home  
Henderson Settlement  
Holly Hill Children’s Home, Inc.  
Methodist Home of Kentucky  
Metro Group Homes, Inc.  
Presbyterian Child Welfare Agency  
Prospect House (Group Home)  
St. Joseph Catholic Children’s Home  
Spring Meadows, Inc.

**Location**

Anchorage  
Versailles  
Ft. Mitchell  
Louisville  
Ashland  
Glendale  
Frakes  
Cold Spring  
Versailles  
Lexington  
Buckhorn  
Berea  
Louisville  
Middletown
### CHART 9

**PRIVATE Child Care Contracts—FY 1985**

**Extraordinary Daily Rate—Level I**

*(Contracted by Agency)*

<table>
<thead>
<tr>
<th>Agency</th>
<th>Rate</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mary Kendall Girls' Home</td>
<td>10.00</td>
<td>Owensboro</td>
</tr>
<tr>
<td><em>(The Methodist Home of Kentucky)</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### CHART 10

**PRIVATE Child Care Contracts—FY 1985**

**Temporary/Emergency Shelter Daily Rate**

<table>
<thead>
<tr>
<th></th>
<th>Rate</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bellewood Center</td>
<td>17.25</td>
<td>Hopkinsville</td>
</tr>
<tr>
<td>Chaney House (1 slot)</td>
<td>17.25</td>
<td>Henderson</td>
</tr>
<tr>
<td>Dixon Temporary Shelter</td>
<td>17.25</td>
<td>Dixon</td>
</tr>
<tr>
<td>Elizabethtown Temporary Shelter</td>
<td>17.25</td>
<td>Elizabethtown</td>
</tr>
<tr>
<td>Father Maloney's Boys' Home (10 slots)</td>
<td>17.25</td>
<td>Louisville</td>
</tr>
<tr>
<td>Florence Crittenton</td>
<td>17.25</td>
<td>Lexington</td>
</tr>
<tr>
<td>Home of the Innocents <em>(72-hour emergency shelter, Jefferson County only)</em></td>
<td>37.00</td>
<td>Louisville</td>
</tr>
<tr>
<td>Hollon House, Inc.</td>
<td>17.25</td>
<td>Georgetown</td>
</tr>
<tr>
<td>Maplewood Children's Home</td>
<td>17.25</td>
<td>Burlington</td>
</tr>
<tr>
<td>Operation Hope</td>
<td>17.25</td>
<td>Somerset</td>
</tr>
<tr>
<td>Renaissance Committee Group Home</td>
<td>17.25</td>
<td>Paducah</td>
</tr>
</tbody>
</table>
### Chart 11

**PRIVATE CHILD CARE CONTRACTS—FY 1985**

**Level II Daily Rate**  
(Contracted by Agency)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Rate</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chaney House</td>
<td>20.50</td>
<td>Henderson</td>
</tr>
<tr>
<td>Christian Appalachian Project</td>
<td>22.50</td>
<td>Camp Nelson</td>
</tr>
<tr>
<td>Christian Appalachian Project</td>
<td>22.50</td>
<td>Mt. Vernon</td>
</tr>
<tr>
<td>Christian Church Children's Campus Group Home</td>
<td>22.50</td>
<td>Danville</td>
</tr>
<tr>
<td>Glen Dale Children's Home (22 slots at Glendale/Spring Meadows combined)</td>
<td>16.50</td>
<td>Glendale</td>
</tr>
<tr>
<td>Spring Meadows Children's Home (22 slots at Glen Dale/Spring Meadows combined)</td>
<td>16.50</td>
<td>Middletown</td>
</tr>
<tr>
<td>West Home for Girls</td>
<td>18.50</td>
<td>Henderson</td>
</tr>
<tr>
<td>YMCA Halfway House</td>
<td>17.50</td>
<td>Louisville</td>
</tr>
</tbody>
</table>
CHART 12
PRIVATE CHILD CARE CONTRACTS—FY 1985

Level II Daily Rate
(Negotiated by Child)

Range 10.00 to 18.50

Incentive Rates for Difficult Children

<table>
<thead>
<tr>
<th>Agency</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Father Maloney’s Boys’ Haven (10 slots)</td>
<td>Louisville</td>
</tr>
<tr>
<td>The Methodist Home of Kentucky (12 slots)</td>
<td>Versailles</td>
</tr>
<tr>
<td>Youth Transition Home</td>
<td>Versailles</td>
</tr>
<tr>
<td>(The Methodist Home of Kentucky)</td>
<td></td>
</tr>
</tbody>
</table>

Chart 13
PRIVATE CHILD CARE CONTRACTS—FY 1985

Treatment-Oriented Daily Rate

<table>
<thead>
<tr>
<th>Rate</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.25</td>
<td>Danville</td>
</tr>
<tr>
<td>34.50</td>
<td>Covington</td>
</tr>
<tr>
<td>35.00</td>
<td>Versailles</td>
</tr>
<tr>
<td>38.50</td>
<td>Louisville</td>
</tr>
</tbody>
</table>

Analysis of the Schedule of Payments (DSS-114) and the listing of contracts and rates provided by the Department showed that there are ten separate variables which are used to ascertain the agency in which a child may be placed and the rate at which an agency should be reimbursed. These variables take into consideration the characteristics of the child and the agency:

* Basic program without social services;
* Basic program with social services;
* Age of the child—0-5, 6-12, 13+;
* Extraordinary rate contracted by agency for all children;
* Extraordinary rate negotiated according to the needs of a specific child;
* Level II rate contracted by agency for all children;
* Level II rate negotiated according to the needs of a specific child;
* Emergency shelter services—30-day placement;
* Emergency shelter services—72-hour hospital care (Home of the Innocents);
* Limited number of contracted slots authorized by the Department.

After interviewing representatives of the eighteen sample PCC agencies, as well as employees of the Department, staff concluded that the rationale for the numerous rate assignments remained unclear. Interviewees expressed their concerns that rate assignments were inequitable. There was not always an apparent relationship between the difficulty in serving a given child and the reimbursement rate paid to the agency. The Department field staff cited the problems of lack of time to develop the most appropriate placement (crisis intervention) and the unavailability of “quality” placements as reasons for these inequities. Central office staff cited lack of funds and a historical policy of negotiating with each agency separately without an overall review of other similar agencies as the reason for disparity in the rate structure.

**Payment Systems Used in Other States**

Attempts to develop valid comparisons of PCC reimbursement rates and systems among the fourteen surrounding and southeastern states, through written questionnaires and telephone surveys, resulted in diverse responses. Despite service and demographic similarities of children existing among these states, most states have developed unique methods for providing child care for committed children, based largely on availability of funding. They make greater or lesser use of federal and local (city and/or county) sources of funding. Some states were responsive and interested in the purposes of the questionnaire, while other states did not respond at all. (Nine states returned the questionnaires; five did not.) Additional problems with these comparisons include varying definitions of the child care placements and varying methods of record keeping within each state.
Types of Reimbursement Systems Employed

As the systems employed by the surrounding states were studied, the diversities became apparent. No two systems are alike. According to the survey, the nine states use the following types of systems:

* Four states reimburse PCC agencies by the flat rate fee-for-service system;
* One state negotiates rates with each agency;
* One state pays a percentage of actual cost;
* Three states combine at least two of the aforementioned systems.

Ohio and North Carolina have systems which are state-licensed and county-administered. Consequently, their central offices are unable to provide complete data. It is apparent that there is no one method of reimbursing PCC agencies common to this group of states.

Three states, Georgia, Tennessee and West Virginia, are currently revising their systems. These revisions are designed to more equitably reimburse private agencies while simultaneously improving the services provided to the children.

Reimbursement Rates of Responding States

The states were questioned about their actual reimbursement rates for FY 1983. The responses were difficult to analyze because the states included different services in their respective rates. Six states were able to furnish data on their average daily populations of children who were cared for by the states and their respective total dollars reimbursed. Thus, approximate average reimbursement rates were determined. The Kentucky Department was unable to furnish an average daily population for the children committed in FY 1983, because these children were not counted for the first thirty days of their placement. The Department was able to provide the total number of dollars spent for FY 1983, which was $2,038,388. Then it was determined that the average daily population of the eighteen sample PCC agencies was 192 children, costing $935,173 annually, which is approximately 46% of the total dollars spent in PCC. Thus, it was assumed that if the sample’s average daily population was 46%, 100% of the average daily population in Kentucky would be approximately 419. The following chart illustrates the data furnished by these six states and the approximated figure for Kentucky. Chart 14 indicates that the highest rate, $39.25, was paid by Tennessee; the lowest rate, $6.87, was paid by South Carolina; and the average rate was $22.53.
CHART 14
SURVEY OF SOUTHEASTERN AND SURROUNDING STATES

FY 1983

<table>
<thead>
<tr>
<th>STATE</th>
<th>AVERAGE DAILY POPULATION</th>
<th>TOTAL FUNDING</th>
<th>DAILY REIMBURSEMENT RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennessee</td>
<td>670</td>
<td>$9,599,800</td>
<td>$39.25</td>
</tr>
<tr>
<td>Missouri</td>
<td>539</td>
<td>6,800,000</td>
<td>34.56</td>
</tr>
<tr>
<td>Alabama</td>
<td>425</td>
<td>4,964,837</td>
<td>32.01</td>
</tr>
<tr>
<td>North Carolina</td>
<td>758</td>
<td>4,432,058</td>
<td>16.01</td>
</tr>
<tr>
<td>Florida</td>
<td>725</td>
<td>3,920,032</td>
<td>14.81</td>
</tr>
<tr>
<td>Kentucky</td>
<td>419*</td>
<td>2,038,388</td>
<td>14.18*</td>
</tr>
<tr>
<td>South Carolina</td>
<td>792</td>
<td>1,988,542</td>
<td>6.87</td>
</tr>
<tr>
<td>Average Reimbursement Rate</td>
<td></td>
<td></td>
<td>22.53</td>
</tr>
</tbody>
</table>

* Estimate

SOURCE: Survey of Surrounding and Southeastern States.

Summary of Subjective Responses

Six of the respondents subjectively assessed their own systems. Most concurred that their states were able to serve more children with quality care by spreading the state dollars through the private child care program and paying only a portion of the cost of care at each agency. This approach is an efficient use of tax dollars for the states. Some respondents also suggested that major improvement in the quality of service provided was not actually encouraged by a system which reimburses an agency for only a portion of the cost.

Summary

1. Of the eighteen sample private child care agencies, there were eighteen discrete daily rates in FY 1983, ranging from a low of $6.06 to a high of $37.25. Kentucky’s average daily reimbursement rate was approximately $14.18.

2. There appear to be inequities in the rate structure caused by numerous and unclear rate options, crisis placements, a limited number of contracted slots for “troubled” children and budgetary constraints.
3. Of the surrounding states and the Southeastern states responding to the LRC questionnaire, the lowest private child care rate, $6.87, was in South Carolina, and the highest rate, $39.25, was in Tennessee. The average rate was $22.53 for FY 1983, and Kentucky’s rate was approximately $14.18.

4. Very few states employ the same rate system, and no two states reimburse the private agencies at the same rate. Each state is affected by unique budgetary limitations and allocation patterns.
CHAPTER IV

THE COSTS OF CARE IN
KENTUCKY PRIVATE CHILD CARE AGENCIES
AND STATE OPERATED GROUP HOMES

House Concurrent Resolution 30 adopted by the 1984 General Assembly directed the Program Review and Investigations Committee to determine the cost of child care in Kentucky’s private agencies and public facilities. While Chapter III discussed the CHR reimbursement structure, this chapter examines the costs of both private child care agencies and state-operated group homes.

Cost of Private Child Care Agencies

During fiscal year 1983 the Cabinet for Human Resources contracted with forty-seven private child care agencies for the care of children in the custody of the state. The services provided by these agencies range from care and maintenance to sophisticated treatment-oriented programs.

Chart 15 ranks the eighteen sample private child care agencies from highest average daily cost per child to lowest. To calculate the average daily cost per child, the total number of FY 1983 service days for both CHR and non-CHR children was divided into the total cost of the program for FY 1983. Maryhurst, a treatment-oriented agency, had the highest average daily cost, $57.73, while Florence Crittenton, a 30-day emergency shelter, had the lowest average daily cost, $21.74.

Chart 15 also lists the total cost for each program surveyed. The average daily cost of a child in the private child care agencies survey was $41.96. This was determined by dividing the total number of service days (137,505) of the sample into the total expenditure of the sample homes ($5,769,177.20). Chaney House and Robert Williams were excluded from this calculation because total operating costs figures were unavailable.
<table>
<thead>
<tr>
<th>HOME</th>
<th>TOTAL COST FY 1983</th>
<th>TOTAL SERVICE DAYS</th>
<th>AVERAGE DAILY COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryhurst</td>
<td>$755,630.00</td>
<td>13,087</td>
<td>$57.73</td>
</tr>
<tr>
<td>Methodist Home</td>
<td>1,548,022.00</td>
<td>28,725</td>
<td>53.89</td>
</tr>
<tr>
<td>Kentucky Baptist</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elizabethtown</td>
<td>102,740.64</td>
<td>2,754</td>
<td>49.03</td>
</tr>
<tr>
<td>Spring Meadows</td>
<td>795,524.00</td>
<td>17,885</td>
<td>44.48</td>
</tr>
<tr>
<td>Glen Dale</td>
<td>737,346.00</td>
<td>20,075</td>
<td>36.73</td>
</tr>
<tr>
<td>Buckhorn</td>
<td>508,700.00</td>
<td>10,950</td>
<td>46.45</td>
</tr>
<tr>
<td>Youth Haven</td>
<td>47,724.17</td>
<td>1,142</td>
<td>41.78</td>
</tr>
<tr>
<td>Christian Appalachian Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Camp Nelson</td>
<td>106,572.00</td>
<td>2,776</td>
<td>38.39</td>
</tr>
<tr>
<td>Rood House</td>
<td>103,838.00</td>
<td>2,920</td>
<td>36.15</td>
</tr>
<tr>
<td>Diocesan</td>
<td>342,214.00</td>
<td>9,015</td>
<td>37.96</td>
</tr>
<tr>
<td>West Home</td>
<td>75,753.30</td>
<td>2,299</td>
<td>32.95</td>
</tr>
<tr>
<td>St. Joseph</td>
<td>403,997.75</td>
<td>15,671</td>
<td>25.77</td>
</tr>
<tr>
<td>Henderson Settlement</td>
<td>112,797.75</td>
<td>4,681</td>
<td>24.10</td>
</tr>
<tr>
<td>Operation Hope</td>
<td>56,000.00</td>
<td>2,372</td>
<td>23.60</td>
</tr>
<tr>
<td>Daviess County</td>
<td>61,382.37</td>
<td>2,650</td>
<td>23.22</td>
</tr>
<tr>
<td>Florence Crittenton</td>
<td>10,935.22</td>
<td>503</td>
<td>21.74</td>
</tr>
<tr>
<td>Chaney House</td>
<td>NOT AVAILABLE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert Williams</td>
<td>NOT AVAILABLE</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$5,1769,177.20</td>
<td>137,505</td>
<td>$41.96</td>
</tr>
</tbody>
</table>

SOURCE: LRC Survey.
State-Operated Group Homes

The State child care program which is most similar to private child care is the state-operated group home program. During FY 1983 the State provided group home services in the following locations: Ashland, Bowling Green, Cromwell, Danville, Frenchburg, Hopkinsville, Lexington, London, Louisville, Lyndon, Middlesboro, Morehead, Waddy, Walton and Westport. As outlined in Chart 16, group home living offers specialized and non-specialized services, which may include vocational educational training, job skills/placement, alcohol/drug counseling, and family, group and individual counseling.

**CHART 16**

SERVICES PROVIDED BY STATE-OPERATED GROUP HOMES
DURING FYS 1983, 1984 and 1985

<table>
<thead>
<tr>
<th>SERVICES</th>
<th>London</th>
<th>Middlesboro</th>
<th>Lexington</th>
<th>Bowling Green</th>
<th>Waddy</th>
<th>Morehead</th>
<th>Ashland</th>
<th>Westport</th>
<th>Hopkinsville</th>
<th>Frenchburg</th>
<th>Cromwell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public School</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>GED Preparation</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>Alcohol and/or Drug Counseling</td>
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<td>X</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Mental Health Counseling</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
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<td>Work Experience</td>
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<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Family/Group/Individual Counseling</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Social Skills Development</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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</tr>
<tr>
<td>Tutoring</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
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</tr>
<tr>
<td>Vocational Training</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
</tr>
<tr>
<td>Job Skills</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<td>Family Planning</td>
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<tr>
<td>Living Skills</td>
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</tr>
<tr>
<td>Volunteer Work</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
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<td></td>
<td>X</td>
</tr>
<tr>
<td>Mental Health Consultation</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
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<tr>
<td>Study Skills</td>
<td></td>
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<td></td>
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<td>X</td>
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<td></td>
<td>X</td>
</tr>
<tr>
<td>Job Placement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Chart 17 describes the population of state-operated group homes and the type of program structure each home has. State-operated group home programs range from low to moderately structured settings and mainly deal with children between the ages of fourteen and eighteen. Structure here refers to the degree of supervision and discipline of the program. Public and status offenders are referred by the Department's social workers.
### CHART 17

**DESCRIPTION OF CHILDREN IN STATE-OPERATED GROUP HOMES**

<table>
<thead>
<tr>
<th></th>
<th>London</th>
<th>Middlesboro</th>
<th>Lexington</th>
<th>Bowling Green</th>
<th>Louisville</th>
<th>Waddy</th>
<th>Morehead</th>
<th>Ashland</th>
<th>Westport</th>
<th>Hopkinsville</th>
<th>Frenchburg</th>
<th>Cromwell</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AGES</strong></td>
<td>14-17</td>
<td>13-15</td>
<td>15 1/2 to 17</td>
<td>14-18</td>
<td>15-17</td>
<td>11-14</td>
<td>14-16</td>
<td>14-16</td>
<td>15 1/2 to 17</td>
<td>15 1/2 to 18</td>
<td>11-14</td>
<td>14-17</td>
</tr>
<tr>
<td>Male/Female</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
<td>Female</td>
<td>Male</td>
<td>Male</td>
<td>Male</td>
<td>Male</td>
<td>Male</td>
<td>Male</td>
</tr>
<tr>
<td>Public Offender</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Status Offender</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Structure</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>
throughout the State to the Assessment and Placement Branch in the Residential Services Division. The specific choice of placement is made by staff in this Branch, located in Frankfort.

Following the initial placement, short-term treatment objectives as well as long-term treatment goals are developed by a planning team. Treatment planning is an on-going process based on the juvenile's age, experience and changing needs. Family and community involvement are emphasized in the group home system. The basic program of group homes is behavior modification. There are four phases to the program. Phase 1 is the most restrictive (fewest privileges), and phase 4 is the least restrictive (most privileges). As a child progresses through the phases of the program he accumulates points which evidence the attainment of specific goals of the program and result in the granting of additional privileges. When a child completes the phases he is returned to the community from which he came or to an approved placement setting. Department employees interviewed said placements usually last from three to six months.

Costs of Operating the State Group Home Program FY 1983

During FY 1983, the Cabinet for Human Resources funded and operated fifteen group homes, at a cost of $2,079,238, which includes $603,642 in indirect costs. Indirect cost is defined as the proportionate share of the cost for the Frankfort-based CHR staff charged to the program and the proportionate share of the cost of rent and maintaining the CHR building. The average occupancy rate for state-operated group homes operating the entire fiscal year was 80.4%.

Chart 18 ranks all the group homes that were open in FY 1983 by total expenditure. The chart also shows each home’s total operating cost, plus its proportionate share of indirect cost. Since the Department has no mechanism for attributing indirect costs to each group home, an indirect cost amount was assigned to each based on the proportion each facility spent of the total operating expenditures. Thus, a facility that spent more funds in FY 1983 for its operations is assumed to have had a greater share of the indirect expenses incurred by the total group home program.

In analyzing program costs it was not sufficient to look only at the yearly expenditures of a program. It was important to know how many children were served and for what length of time they received services in the year. From this information, provided by each group home, an average daily cost per child was derived.
# Chart 18
## Total Cost of State-Operated Group Homes
### FY 1983

<table>
<thead>
<tr>
<th>GROUP HOME</th>
<th>OPERATING COST</th>
<th>INDIRECT COST</th>
<th>TOTAL</th>
<th>% OF TOTAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lexington</td>
<td>$144,572.16</td>
<td>$59,156.92</td>
<td>$203,129.03</td>
<td>9.8%</td>
</tr>
<tr>
<td>Morehead</td>
<td>136,209.59</td>
<td>55,535.06</td>
<td>191,744.65</td>
<td>9.2%</td>
</tr>
<tr>
<td>Bowling Green</td>
<td>130,780.85</td>
<td>53,120.50</td>
<td>183,901.35</td>
<td>8.8%</td>
</tr>
<tr>
<td>Louisville</td>
<td>127,907.05</td>
<td>51,913.21</td>
<td>179,820.26</td>
<td>8.6%</td>
</tr>
<tr>
<td>Middlesboro</td>
<td>124,572.05</td>
<td>50,705.93</td>
<td>175,277.98</td>
<td>8.4%</td>
</tr>
<tr>
<td>Waddy</td>
<td>122,827.36</td>
<td>50,102.29</td>
<td>172,929.65</td>
<td>8.3%</td>
</tr>
<tr>
<td>London</td>
<td>114,094.48</td>
<td>46,480.43</td>
<td>160,574.91</td>
<td>7.7%</td>
</tr>
<tr>
<td>Ashland</td>
<td>100,201.46</td>
<td>41,047.66</td>
<td>141,249.12</td>
<td>6.8%</td>
</tr>
<tr>
<td>Danville</td>
<td>95,883.89</td>
<td>39,236.73</td>
<td>134,120.62</td>
<td>6.5%</td>
</tr>
<tr>
<td>Hopkinsville</td>
<td>86,896.47</td>
<td>35,614.88</td>
<td>121,511.35</td>
<td>5.9%</td>
</tr>
<tr>
<td>Lyndon</td>
<td>76,952.43</td>
<td>31,389.38</td>
<td>108,341.81</td>
<td>5.1%</td>
</tr>
<tr>
<td>Westport</td>
<td>72,038.79</td>
<td>29,578.46</td>
<td>101,617.25</td>
<td>4.9%</td>
</tr>
<tr>
<td>Frenchburg</td>
<td>67,824.08</td>
<td>27,767.53</td>
<td>95,591.61</td>
<td>4.6%</td>
</tr>
<tr>
<td>Cromwell</td>
<td>53,956.63</td>
<td>21,731.11</td>
<td>75,687.74</td>
<td>3.6%</td>
</tr>
<tr>
<td>Walton</td>
<td>25,104.00</td>
<td>10,261.91</td>
<td>35,365.91</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,479,821.29</strong></td>
<td><strong>$603,642.00</strong></td>
<td><strong>$2,083,463.29</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*These homes did not operate the entire fiscal year.

Source: Department for Social Services, Program Management Division.

Chart 19 ranks the group homes by average daily cost per child. This was accomplished by dividing the total number of service days of each group home into the total expenditures of that home. Note that the highest was Waddy, at $94.80, and the lowest was Ashland, at $54.98. The average daily cost per child without indirect cost is also shown.

The average daily cost of a child in the state-operated group homes was $72.78. The five homes that did not operate the entire year were not included in this average.
CHART 19
AVERAGE DAILY COST FOR STATE GROUP HOMES OPERATING THE ENTIRE FY 1983

<table>
<thead>
<tr>
<th>GROUP HOME</th>
<th>AVERAGE DAILY COST WITHOUT INDIRECT COST</th>
<th>AVERAGE DAILY COST WITH INDIRECT COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waddy</td>
<td>$67.30</td>
<td>$94.80</td>
</tr>
<tr>
<td>Morehead</td>
<td>60.18</td>
<td>84.73</td>
</tr>
<tr>
<td>Hopkinsville</td>
<td>55.41</td>
<td>77.75</td>
</tr>
<tr>
<td>Lexington</td>
<td>54.45</td>
<td>76.50</td>
</tr>
<tr>
<td>Middlesboro</td>
<td>50.94</td>
<td>71.68</td>
</tr>
<tr>
<td>Bowling Green</td>
<td>50.30</td>
<td>70.73</td>
</tr>
<tr>
<td>Louisville</td>
<td>45.51</td>
<td>63.99</td>
</tr>
<tr>
<td>London</td>
<td>42.54</td>
<td>59.87</td>
</tr>
<tr>
<td>Ashland</td>
<td>39.17</td>
<td>54.98</td>
</tr>
</tbody>
</table>

Chart 20 shows the total number of children served, the total number of service days, and the average daily cost per child for each state-operated group home operating the entire 1983 fiscal year.

CHART 20
FY 1983 CHILDREN SERVED, SERVICE DAYS AND AVERAGE DAILY COST FOR STATE GROUP HOMES OPERATING THE ENTIRE FY 1983

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>CHILDREN SERVED</th>
<th>SERVICE DAYS</th>
<th>AVERAGE DAILY COST PER CHILD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Louisville</td>
<td>26</td>
<td>2,810</td>
<td>$63.99</td>
</tr>
<tr>
<td>London</td>
<td>28</td>
<td>2,682</td>
<td>59.87</td>
</tr>
<tr>
<td>Lexington</td>
<td>29</td>
<td>2,655</td>
<td>76.50</td>
</tr>
<tr>
<td>Bowling Green</td>
<td>32</td>
<td>2,600</td>
<td>70.73</td>
</tr>
<tr>
<td>Middlesboro</td>
<td>37</td>
<td>2,445</td>
<td>71.68</td>
</tr>
<tr>
<td>Morehead</td>
<td>27</td>
<td>2,263</td>
<td>84.73</td>
</tr>
<tr>
<td>Ashland</td>
<td>28</td>
<td>2,558</td>
<td>54.98</td>
</tr>
<tr>
<td>Waddy</td>
<td>28</td>
<td>1,824</td>
<td>94.80</td>
</tr>
<tr>
<td>Hopkinsville</td>
<td>18</td>
<td>1,568</td>
<td>77.75</td>
</tr>
</tbody>
</table>
Summary

1. The average daily cost for a child in a private child care agency in FY 1983 was $41.96; the range was $21.74 to $57.73.

2. The average daily cost for a child in the nine state-operated group homes operating the entire year was $72.78; the range was $54.98 to $94.80.
CHAPTER V

COMPARISONS BETWEEN COSTS AND REIMBURSEMENTS

The costs of selected public and private child care programs were discussed in Chapter IV. Based on this information, Chapter V provides a comparative analysis. This chapter analyzes the costs of private child care and state-operated group homes and compares costs with reimbursements.

Comparison Between PCC Actual Costs and CHR Reimbursements

During FY 1983, the Cabinet for Human Resources contracted with forty-seven private child care agencies to care for 1,261 children committed to the Cabinet. Chart 21 shows the average daily cost of the eighteen sample agencies, the average daily reimbursement rate from CHR and the percentage the rate represents of the average daily cost. The range of reimbursements is wide — Florence Crittenton received 74% of its average daily cost per child, while Youth Haven received only 16% of its cost. In summary, the average daily cost for all sample private agencies was $41.96, while the average reimbursement was $14.18. Thus, average reimbursement constituted 39% of the average daily cost of care.
## CHART 21

**PCC COST COMPARED TO CHR REIMBURSEMENTS**  
**FY 1983**

<table>
<thead>
<tr>
<th>Home</th>
<th>Average Daily Cost</th>
<th>Average Daily Reimbursement Rate</th>
<th>% of Cost Reimbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florence Crittenton</td>
<td>$21.74</td>
<td>$16.00</td>
<td>74%</td>
</tr>
<tr>
<td>Operation Hope</td>
<td>23.60</td>
<td>15.93</td>
<td>67%</td>
</tr>
<tr>
<td>Maryhurst</td>
<td>57.73</td>
<td>37.45</td>
<td>65%</td>
</tr>
<tr>
<td>West Home</td>
<td>32.95</td>
<td>19.56</td>
<td>59%</td>
</tr>
<tr>
<td>Christian Appalachian Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rood House</td>
<td>36.15</td>
<td>21.28</td>
<td>58%</td>
</tr>
<tr>
<td>Camp Nelson</td>
<td>38.39</td>
<td>21.14</td>
<td>55%</td>
</tr>
<tr>
<td>Kentucky Baptist</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spring Meadows</td>
<td>44.48</td>
<td>15.20</td>
<td>34%</td>
</tr>
<tr>
<td>Elizabethtown</td>
<td>49.03</td>
<td>16.08</td>
<td>33%</td>
</tr>
<tr>
<td>Glen Dale</td>
<td>36.73</td>
<td>8.20</td>
<td>22%</td>
</tr>
<tr>
<td>Henderson Settlement</td>
<td>24.10</td>
<td>8.15</td>
<td>34%</td>
</tr>
<tr>
<td>Daviess County</td>
<td>23.22</td>
<td>7.47</td>
<td>32%</td>
</tr>
<tr>
<td>St. Joseph</td>
<td>25.77</td>
<td>7.56</td>
<td>29%</td>
</tr>
<tr>
<td>Methodist Home</td>
<td>53.89</td>
<td>11.00</td>
<td>28%</td>
</tr>
<tr>
<td>Diocesan</td>
<td>37.96</td>
<td>8.79</td>
<td>23%</td>
</tr>
<tr>
<td>Buckhorn</td>
<td>46.45</td>
<td>8.15</td>
<td>18%</td>
</tr>
<tr>
<td>Youth Haven</td>
<td>41.78</td>
<td>6.74</td>
<td>16%</td>
</tr>
<tr>
<td>Robert Williams</td>
<td>NOT AVAILABLE</td>
<td>7.45</td>
<td>NOT AVAILABLE</td>
</tr>
<tr>
<td>*Chaney House</td>
<td>NOT AVAILABLE</td>
<td>19.17</td>
<td>NOT AVAILABLE</td>
</tr>
<tr>
<td><strong>TOTAL AVERAGE</strong></td>
<td><strong>$41.96</strong></td>
<td><strong>$14.18</strong></td>
<td><strong>39%</strong></td>
</tr>
</tbody>
</table>

*Did not operate the entire fiscal year.*
Comparison Between State-Operated
Group Homes and PCC Agencies

While it is clear that costs run higher in state-operated group homes than in private agencies, additional factors were considered in doing a comparative cost analysis. A rating scale was developed as a means of identifying those private agencies which were most similar to the state facilities. It includes four indicators which are important in the placing of a CHR committed child: amount of service rendered, number of staff, age of the children served, and difficulty of the children's problems. Each indicator was scaled from one to four; one indicates the least amount of service, lowest staffing ratio, youngest children accepted or the least difficult children to serve; four indicates the greatest amount of service, highest staffing pattern, oldest children accepted or the most difficult children to serve. The lowest possible rating was four and the highest was sixteen.

Chart 22 shows the matrix which was used to classify private agencies and state facilities into four types.
**CHART 22**  
LRC Rating of Child Care Agency Matrix

| Score | Type 1  
(4-7) | Type 2  
(7 -10) | Type 3  
(10 -13) | Type 4  
(13 -16) |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SERVICES:</td>
<td>(Basic)</td>
<td>(Supportive)</td>
<td>(Program)</td>
<td>(Treatment)</td>
</tr>
<tr>
<td>(1) Room &amp; Board</td>
<td>(1)- (4)</td>
<td>(1)- (7)</td>
<td>(1)- (9)</td>
<td></td>
</tr>
<tr>
<td>(2) Supervision</td>
<td>(5) individualized “incentive” program</td>
<td>(8) in-house counseling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Limited recreational opportunities</td>
<td>(6) Social services</td>
<td>(9) in-house school</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Medical &amp; social services available out of the facility</td>
<td>(7) 1 to 2 special activities/program (tutoring, in-house rec., job placement, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**STAFFING PATTERN:**  
Staff/Child ratio:  
3 or fewer/8  
3 - 5/8  
5 - 7/8  
7 - 8/8

**AGE OF CHILD**  
Under 9  
9 - 13  
13 - 16  
16 - 18

**CHILD’S PROBLEM**  
(Difficulty of Child)  
None  
Minor  
Moderate  
Major

*An additional one-half point was given if the facility accepted public offenders.*

It was determined that the private agencies which most closely serve the same type child as state-operated group homes are Type 4 agencies. All state-operated group homes received a relatively high score because they serve the oldest group of children, who can be public offenders and difficult to serve. The other Type 4 agencies are Rood House and Camp Nelson group homes and Maryhurst, a treatment-oriented agency. Chart 23 shows the LRC rating of all agencies in the sample and the state-operated group homes. These Type 4 agencies will be used to provide further cost comparisons.
CHART 23

LRC RATING OF AGENCY TYPES COMPARED TO CHR REIMBURSEMENT AND AGENCY COSTS

**FY 1983**

<table>
<thead>
<tr>
<th>AGENCY/FACILITY</th>
<th>MATRIX TYPE</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Williams</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Youth Haven</td>
<td>2</td>
<td>8.0</td>
</tr>
<tr>
<td>Daviess Co.-Levy</td>
<td>2</td>
<td>8.0</td>
</tr>
<tr>
<td>St. Joseph</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>E-town Shelter</td>
<td>3</td>
<td>11.0</td>
</tr>
<tr>
<td>Operation Hope</td>
<td>3</td>
<td>11.0</td>
</tr>
<tr>
<td>Chaney House</td>
<td>3</td>
<td>11.0</td>
</tr>
<tr>
<td>Spring Meadows</td>
<td>3</td>
<td>11.5</td>
</tr>
<tr>
<td>Glen Dale</td>
<td>3</td>
<td>11.5</td>
</tr>
<tr>
<td>Henderson</td>
<td>3</td>
<td>11.7</td>
</tr>
<tr>
<td>Buckhorn</td>
<td>3</td>
<td>12.0</td>
</tr>
<tr>
<td>Florence Crittenton</td>
<td>3</td>
<td>13.0</td>
</tr>
<tr>
<td>Diocesan</td>
<td>3</td>
<td>13.0</td>
</tr>
<tr>
<td>Methodist Home</td>
<td>3</td>
<td>13.0</td>
</tr>
<tr>
<td>West Home</td>
<td>Not Available</td>
<td></td>
</tr>
<tr>
<td>Rood House</td>
<td>4</td>
<td>13.25</td>
</tr>
<tr>
<td>Camp Nelson</td>
<td>4</td>
<td>13.25</td>
</tr>
<tr>
<td><strong>State-Operated Group Homes</strong></td>
<td>4</td>
<td>14.5</td>
</tr>
<tr>
<td>Maryhurst</td>
<td>4</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Chart 24 compares the range in cost of fully operated state group homes with those of similar private agencies (Type 4), based on the LRC rating matrix. The average difference between costs of a state-operated group home and similar private child care agencies is 39%.
CHART 24

AVERAGE DAILY COST PER CHILD IN
STATE-OPERATED FACILITIES AND
SIMILAR PRIVATE AGENCIES

<table>
<thead>
<tr>
<th>Facility</th>
<th>State-Operated Group Home Costs</th>
<th>Private Child Care Agency Costs</th>
<th>% Cost Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>$94.80</td>
<td>$57.73</td>
<td>39%</td>
</tr>
<tr>
<td>Lowest</td>
<td>54.98</td>
<td>36.15</td>
<td>34%</td>
</tr>
<tr>
<td>Average</td>
<td>72.78</td>
<td>44.09</td>
<td>39%</td>
</tr>
</tbody>
</table>

While the scope of this study did not include in-depth research into why state-operated group homes cost more than the PCC agencies, three reasons are noted as possible factors:

* State government may pay better salaries and have better fringe benefits than most private agencies;

* Private agencies, often religiously affiliated, receive in-kind contributions, both of a material and service nature, which are not calculated into the expenditure figures and exceed greatly those in-kind contributions received by state-operated group homes; and

* The indirect costs associated with the administration of a large service program may necessitate higher proportional indirect costs than the smaller, less bureaucratic administrative demands of a private agency.

Chart 25 shows the FY 1983 residential personnel expenses for the Type 4 facilities. Since the number of salaried employees was not known, calculations were based on the overall direct personnel expenditures compared to the amount of services provided in terms of child service days. From this comparison we see that the average personnel cost per service day is $36.43 for state-operated facilities and $26.31 for similar private agencies, a difference of 27%. This analysis, although limited, suggests that personnel costs in state government may partially explain the disparity between costs in privately-operated versus state-operated programs.
## Chart 25

**Residential Personnel Costs for State-Operated Facilities and Similar Private Agencies**  
**FY 1983**

<table>
<thead>
<tr>
<th>State-Operated Group Homes</th>
<th>Total Service Days</th>
<th>Direct Personnel Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lexington</td>
<td>2,655</td>
<td>$107,888.03</td>
</tr>
<tr>
<td>Morehead</td>
<td>2,263</td>
<td>100,960.00</td>
</tr>
<tr>
<td>Middlesboro</td>
<td>2,445</td>
<td>99,846.64</td>
</tr>
<tr>
<td>Louisville</td>
<td>2,810</td>
<td>97,393.05</td>
</tr>
<tr>
<td>Bowling Green</td>
<td>2,600</td>
<td>94,292.07</td>
</tr>
<tr>
<td>Waddy</td>
<td>1,824</td>
<td>94,016.63</td>
</tr>
<tr>
<td>London</td>
<td>2,682</td>
<td>90,626.95</td>
</tr>
<tr>
<td>Ashland</td>
<td>2,258</td>
<td>79,001.28</td>
</tr>
<tr>
<td>Hopkinsville</td>
<td>1,568</td>
<td>62,059.36</td>
</tr>
</tbody>
</table>

**Total**  
22,673  
$826,084.01

**Average Personnel Cost Per Service Day:** $36.43

### Privately-Operated Agencies

<table>
<thead>
<tr>
<th>Privately-Operated Agencies</th>
<th>Total Service Days</th>
<th>Direct Personnel Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryhurst</td>
<td>13,087</td>
<td>$359,084.00</td>
</tr>
<tr>
<td>Rood House*</td>
<td>2,920</td>
<td>68,544.00</td>
</tr>
<tr>
<td>Camp Nelson*</td>
<td>2,776</td>
<td>66,628.44</td>
</tr>
</tbody>
</table>

**Total**  
18,783  
$494,256.44

**Average Personnel Cost Per Service Day:** $26.31

*Rood House and Camp Nelson personnel costs based on six month expenditures projected to a full year comparison.*
According to staff interviews, private agencies do rely on the good will of supporters, especially volunteers for food, clothing, furniture and other donations. However, the degree of in-kind contributions has not been assessed in this study.

Finally, the indirect costs ($603,642) associated with support services from the Department's central office functions do represent 30% of the total state-operated group home budget and raise the individual group homes' costs an additional 6% to 10% (See Chart 18).

CHR Reimbursement Comparison with Costs

Chart 26 compares the average daily cost per child in state-operated group homes to the average daily CHR reimbursement to Type 4 PCCs. The average cost in a state-operated group home is $72.78, while the state only reimburses an average of $26.62 to those homes that are similar, a difference of 63%.

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>COST OF STATE-OPERATED GROUP HOMES</th>
<th>CHR REIMBURSEMENTS TO SIMILAR PRIVATE AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>$94.80</td>
<td>$37.45</td>
</tr>
<tr>
<td>Lowest</td>
<td>54.98</td>
<td>21.14</td>
</tr>
<tr>
<td>Average</td>
<td>72.78</td>
<td>26.62</td>
</tr>
</tbody>
</table>

Summary

1. The Cabinet reimbursed the sample private child care agencies an average of 39% of the average daily cost per child, ranging from 16% to 74%.

2. For purposes of comparison, the state-operated group homes were rated by LRC in the highest of the four placement types, along with Rood House, Camp Nelson and Maryhurst in the PCC sample.

3. On the average, state-operated group homes cost 39% more to operate than do similar private agencies.
4. There is a 63% difference between the average cost per child in state-operated group homes ($72.78) and the average CHR reimbursement rate ($26.62) to similar private agencies.

RECOMMENDATION 1

The Cabinet for Human Resources should revise its reimbursement system to private child care agencies in order to correct existing inequities. The actions taken should include a budget request for funds to support the services provided by the private child care program.
CHAPTER VI

THE RELATIONSHIP BETWEEN THE PRIVATE CHILD CARE AGENCIES
AND THE DEPARTMENT

Interviews With Department Employees

Program Concerns

Fifteen employees of the Department who plan for or counsel committed children were interviewed for the present study. All fifteen were asked if they were satisfied with the Department's planning for and placement of committed children. Seven respondents were satisfied, while seven were satisfied most of the time and one was dissatisfied with the planning and placement practices. Comments on the subject of placements centered on difficulty in planning for children who need to be moved from their homes or substitute care with little advance notice to the social workers (crisis intervention), and the unavailability of placements for teenagers, especially those with behavioral problems.

The ten employees involved in placement of children into private agencies were asked whether the private agencies fulfill their responsibilities and the Department's expectations. Nearly every interviewee felt the agencies fulfilled their responsibilities most of the time, but that some perform better than others. On this issue, a common complaint heard from employees in the field and central office was that private child caring agencies are reluctant to take delinquents and children with emotional problems. Some agencies are not allowed by their governing boards to take delinquent children, so the Department must ask the juvenile court to change the legal status of the child to "dependent" before the agency will accept him.

The issue of a private agency's willingness to take "difficult" children is one of the main points of contention between the Department and private agencies. As shown earlier in this report (Charts 3 and 4), 75% of the contracted agencies' population in the sample were between the ages of thirteen and eighteen, but only 26% of the population were status offenders, and only 18% were public offenders. Despite the fact that most agencies will not accept children with a delinquent legal status, the sample questionnaires show that 49% of the children served by private agencies have moderate or major emotional problems, and 70% have moderate or major behavioral problems. From this information it would thus appear that many children labeled "dependent, neglected or abused" residing in private agencies have behavioral and emotional problems. Despite the fact that the "dependent" population may be difficult to serve, there is another group, the "delinquent," which the Department has difficulty placing and which the majority of private child care agencies are unwilling or unable to serve.
The Departmental interviewees acknowledged that they did not formally or routinely assess PCC agencies, but individual social workers do monitor the progress of committed children. Generally, they felt agency staff do understand the social worker’s role and, conversely, social workers understand the agencies’ role. However, throughout the interviews there were unsolicited comments concerning how quickly the quality of service in an agency can change. This concern led to a question about the Department’s assessment process. Presently the Division of Licensing and Regulation (L & R) surveys each agency once a year. Recently, the Department has asked L & R if they would collect additional information for the Department’s use on two instruments—one called “Case Review,” and the other “Child Questionnaire.” There was some disagreement among professionals within the Department concerning this additional monitoring by L & R. Some items required L & R employees, who are not trained in social work techniques, to make clinical judgments concerning the appropriateness of a committed child’s service plan. Secondly, some Department professionals felt that transferring this monitoring function to L & R may inhibit the Department’s capability to make decisions (some of which must be made very quickly) concerning removal or placement of a committed child in a licensed agency (in effect, delegating the Department’s authority to L & R).

RECOMMENDATION 2

The Department for Social Services should establish an assessment process regarding all agencies in which committed children are placed. The assessment should contain a formal means of collecting data on an annual basis, with routine updating based on program changes or irregularity in casework. Data collected should include:

1. Division of Licensure and Regulation reports regarding regulatory compliance and casework practices;

2. Department social workers’ assessments of the agency’s effectiveness or shortcomings in accomplishing the casework plan; and

3. agency information including the “Request for Proposal” and their assessment of the effectiveness of casework planning and their service programs.

Analysis of the assessment data should be used to:

1. provide Department field staff with a list of private agencies that notes the types of children and programs best served by each agency;

2. provide a mechanism for investigation by the Department and the Division of Licensure and Regulation of any agency suspected of inappropriate care of children; and

3. provide a mechanism for investigation of any violation of casework practice, as required by the Department.
The private agency should have the prerogative to reject at admission or dismiss after admission particular children if:

1. the Department has not provided the agency with sufficient or accurate background information regarding the characteristics of the child;
2. sufficient funds are not available to the agency to provide the child-specific services required in the casework service plan;
3. care of a particular child would potentially endanger that child or other children in the agency; or
4. care of a particular child would jeopardize the agency's ability to meet particular licensing or regulatory requirements.

At the end of one year following the acceptance of this recommendation by the Program Review and Investigations Committee, the Department and private agencies should report to the Committee whether the listing and pairing of characteristics has reduced placement problems.

Half of the respondents felt the Department fulfilled its responsibility to the private agencies most of the time, and the other 50% felt the Department clearly did not meet its responsibility. In nearly every interview dissatisfaction was expressed with some of the Department's casework for committed children. The two categories of response most frequently mentioned were:

* Casework is crisis-oriented, with no real continuum of care or appropriate goal setting.
* Service workers do not visit the child frequently enough; thus, problems continue unsolved and the child sometimes feels abandoned.

Chart 27 below lists specific comments and is provided so that the reader may better understand the eighteen private agencies' viewpoints concerning the Department's casework responsibility.

**CHART 27**

PRIVATE AGENCIES’ INTERVIEW COMMENTS CONCERNING THE DEPARTMENT’S FULFILLMENT OF ITS RESPONSIBILITIES

<table>
<thead>
<tr>
<th># OF TIMES MENTIONED</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Social worker doesn’t visit or show sufficient interest in child after placement is made.</td>
</tr>
<tr>
<td>4</td>
<td>Casework is very crisis oriented/no real continuum of care.</td>
</tr>
<tr>
<td>2</td>
<td>Children have too many foster home failures before private is tried.</td>
</tr>
</tbody>
</table>
Funding Concerns

As part of the survey, interviewees were asked whether they thought child care agencies receive an adequate amount of reimbursement.” Most Department employees in the field admitted they did not have adequate information to make a judgment. The central office written response to this question was definitive, however.

No testimony was provided by the Department at the last General Assembly session which stressed additional funding needs for PCC agencies. The Department continues to recognize the need to secure additional funding. Once additional funding is secured the Department plans to restructure its reimbursement system to be better able to provide programs appropriate to the needs of children.

Interviews With Private Child Care Agencies

Program Concerns

All private child care agencies sampled felt they understood what services could offer the committed child. In turn, most thought the Department understood agencies’ ability to provide service. Six agencies did think that some social workers, especially new workers, did not know enough about their programs. Additionally, several agreed there was no routine assessment of their programs, other than that at the Licensing and Regulation Division.

All private agencies appeared to have a working knowledge of the placement process. When asked to describe the procedures, most included their own screening along with the Department’s practices. Interviews with Departmental employees indicated that the private agencies’ ability to select or reject individual committed children as a disadvantage for the Department, because the more difficult children are less likely to be admitted when more easily handled children are available. Despite this view, private agencies interviewed assumed it was their prerogative to make the final decision regarding admittance and that the Department should remove a child if the agency believed them to do so. Stated reasons for both of these decisions were based on the agency’s desire to serve only children who would benefit from their particular program and to eliminate isolated situations which would disrupt the progress of other children served in their program or negatively affect the program itself.

RECOMMENDATION 3

In order for the Department to achieve more accurate assessment and appropriate placement of committed children, it should establish a list of characteristics of children to be incorporated in the agencies’ “Request for Proposal,” the Schedule of Performance, or a negotiated contract. Subsequently, the agency should specify from which the characteristics which it is able and willing to serve, thereby better enabling a worker to pair a child with an appropriate private child care agency. The agency should then accept such delineated children from the Department as space becomes available.
DSS removes the child from the agency before or after optimal time (relates to funding problem).

Social workers don’t take initiative in making case conferences.

Child feels abandoned when social workers don’t visit.

Background material is lacking or withheld when child is placed.

Committed children (AWOLS) are never required to act responsibly because they can run and be placed somewhere else.

Agency could not get its interested volunteers reviewed to be foster parents.

Some foster and adoptive homes are not sufficiently prepared (time); consequently, placements fail.

Better communication needed between agency and the Department.

The Department has too many policy changes.

Social workers don’t deal with the child as part of the family (problems).

SOURCE: Eighteen program directors or acting directors of sample private child care agencies.

Concern about certain types of children was also expressed by some private child care employees, as well as Department employees. These types of children often seem to “fall between the cracks” in the existing human services structure. They are:

* the chronic runaway child, often a status offender;

* the child with behavioral or emotional difficulties (mentioned earlier); and

* the older teenager who will soon be forced to live independently because of inadequate or absent support from his natural family.

Both the department and private agency interviewees thought the hard to place children, particularly the chronic runaway, behaviorally and emotionally troubled, and the older teenager with a goal of independent living were less likely to have their needs met in the existing continuum of care system. Finally, the shortage of placements for hard to place children is related to the Cabinet’s ability to pay for services.

The problem of runaways, called “AWOLS,” was mentioned by state-operated and private agencies. One interviewee said the rate of runaways would be “shocking” if the actual numbers were known. Another interviewee said that when a child “runs” from this particular agency, there are no agency employees available to look for him, nor a require-
ment by the Department to do so. To initiate search for the child, the director calls the responsible social worker, who usually is not a local worker and may live many miles from where the child begins his departure.

The two other groups discussed—the behaviorally/emotionally difficult to handle children and the older teenager with a goal of independent living—are a particular problem for the Department and some private child care agencies because they may require a longer term placement than the Department is willing or able to pay for. For example, the older teenager may need additional vocational training which will prove marketable when completed, although the child is presently not in high school. The Department only provides foster care funding for children over age eighteen if they are in school, which demonstrates another difficulty for the older teenager planning for long-term employment. Some agencies allow a small number of these teenagers or young adults to stay for a limited time period after CHR reimbursement stops.

Finally, some private child care agencies attempting to help children with emotional and behavioral problems find their agencies viewed by the Department as placements of "last resort" for children who have been moved in and out of foster family homes, relative placements or institutions. These operators fear that the goal of placing a child in the "least restrictive level of care" may translate into placing the child in the least expensive living arrangements, not the most appropriate living arrangement.

Funding Concerns

Early in the study, central office employees were asked what explanation could be given as to why some private agencies received a higher reimbursement rate than others. Inequities in the rate structure were explained by use of the platitude "the squeaky wheel gets the grease." That is, those agencies that negotiated were more likely to receive additional funding. While this explanation may have been valid at one time, this study did not find evidence that it has applied in the years since 1982. Of the eighteen interviewed, only four said they discussed an increase with the Department, and none of them received an increase based on those discussions. According to this review, increases in the rate seemed to be based on a $1.25 a day increase for all agencies in each of the years of the 1982-83 biennium. There were no increases in the FY 1985-86 general fund appropriations for private child care.

Rarely did an interviewed agency have difficulty with the reimbursement process, but all agencies had problems with the Department's inability to pay for a larger portion of the committed child's cost of care. Predictably, those agencies which received the least amount of reimbursement, in proportion to their actual costs, were more adamant about their dissatisfaction with the reimbursement amount. Two agencies said the Department should pay 100% of a committed child’s costs, but most of the others would be satisfied to receive "75% of the cost," or "$25 a day."
While the notion that there is a shortage of placements for hard to place children is espoused by the Department, the findings of this study would indicate otherwise. Instead, these findings suggest that there are committed children within the Commonwealth who are placed in agencies which do not have the financial support for the care and type of placement they need. Staff in most agencies interviewed, particularly group homes, said they were willing to improve their service programs, expand the number of group homes they operated, accept more CHR placements, or that they desired the Department to remove its restriction on the number of committed children the agency could receive. They further indicated that the primary obstacle to accepting children was the Department’s inability to pay for the services needed.

RECOMMENDATION 4

The Cabinet for Human Resources, in cooperation with the private child care agencies, should determine effective child care programs for the following three groups of committed children:

(1) the chronic runaway juvenile;
(2) the child who is hard to place because of behavioral or emotional problems; and
(3) older teenagers with a goal of independent living.

The Cabinet should address the following tasks:

(1) assessment of the number of committed children placed in substitute care who fit the above description;
(2) research of existing programs and program components throughout the nation that successfully serve children in these three groups;
(3) analysis of the program types, characteristics, length of care and overall components which could be used in the Commonwealth to serve these three groups;
(4) exploration of potential private and public funding sources and existing resources to provide the desired programs and program components; and
(5) designing a plan of action for Kentucky utilizing such information.

The Cabinet for Human Resources should present the results of their study to the Program Review and Investigations Committee prior to the 1986 session of the General Assembly.
Summary

1. The Department and private child care agencies sampled felt that they mutually understood each other’s responsibilities and roles.

2. The private child care agencies felt that the Department does not always meet its responsibilities in regard to care of committed children.

3. The Department interviewees thought that the private child care agencies are not always willing to accept the children who are in most need of services, primarily the child with behavioral or emotional difficulties.

4. Both the Department and private child care agency interviewees believe the hard to place children, particularly the chronic runaway, behaviorally and emotionally troubled and the older teenager with a goal of independent living, are less likely to have their needs met in the existing continuum of care system.

5. Routine and formal assessment of agencies in which the Department has a contract is presently provided only in the once-a-year licensing process, although the Department does have plans to expand the Division of Licensure and Regulation’s monitoring role.

6. The private child care agencies interviewed find the Department’s level of expenditure for committed children inadequate. Most reimbursement rates cannot meet basic needs for the committed children, and none meet the total service needs.

7. The shortages of placements for hard to place children is related to the Cabinet’s inability to pay for services.