Texas Health and Human Services Commission

Foster Care Rate Methodology Study

January 2021

PUBLIC CONSULTING GROUP

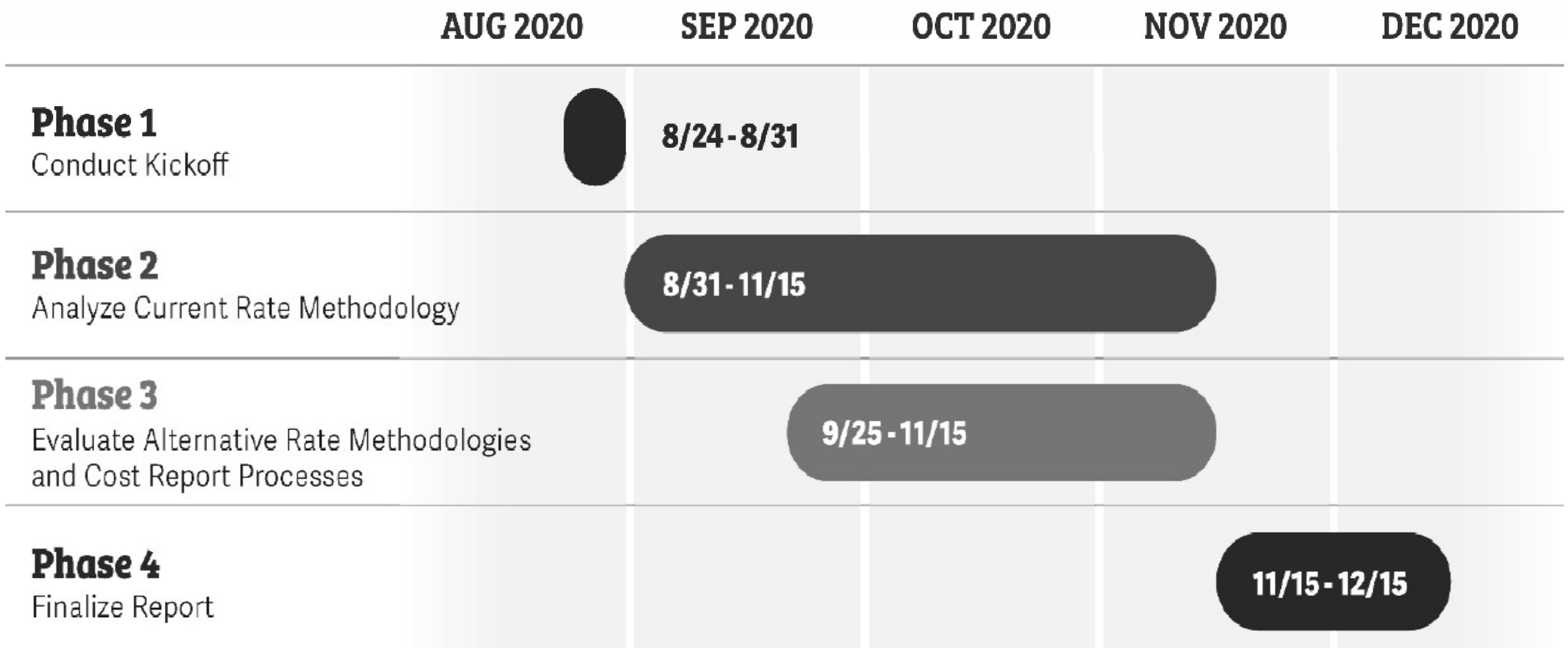
Solutions that Matter

Project Overview

PCG was hired to:

- Analyze the current rate methodology for both the Legacy System and Community-Based Care (CBC) models.
- Determine whether there is an alternative rate methodology that HHSC can utilize to recommend residential foster care rates to DFPS for the 24-Hour Residential Child Care (RCC) Program to increase provider capacity of delivering appropriate and evidence-based services, incentivize quality improvements, and maximize the use of federal funds.
- Evaluate existing cost reporting requirements to identify opportunities to streamline reporting; eliminate reporting requirements that are not required by state or federal law and are not currently being utilized by HHSC or DFPS to set rates; add detail where needed to align rates paid with the quality and intensity of services across levels of care; and include additional or modified reporting requirements necessary to support implementation of any alternative rate methodology.

Project Overview



- PCG reviewed contracts, policies and procedures, and other supporting documentation from DFPS and HHSC.
- PCG conducted 32 meetings with providers and other stakeholders.
- Cost report data, placement data, CANS data, and state Medicaid data were analyzed.

Key Findings

Key Findings

- **The current rates do not clearly align to cost of care.** Rates align to children's assessed service levels, rather than specific program models and costs. The rates for various service levels are determined by service level indices that aren't tied to current placement costs or associated staff time and effort at each service level. Further the cost reports do not isolate costs by service level, so it is not possible to determine how well the current rates cover actual costs.

- **The current rate level system, whereby rates can fluctuate for children based on assessed service level, creates fiscal challenges.**
  - Children's assessed levels may change (and the corresponding rate), but their placement and services may not. For example, residential programs may care for children assessed as intense and specialized, but the services provided for those children is the same while they are in a program, regardless of their assessed service level. Thus, the rates do not directly align to cost of care and depending on the mix of children in their programs, they may experience losses.
  - It is difficult for providers to budget for their overall program costs because the rates are dependent on the child's assessed service level rather than their specific program offerings.

- **The rate development process is primarily retrospective**, based on historical data, and no (or limited) adjustments made for program changes, case mix changes, or increases in cost beyond inflation.

Key Findings

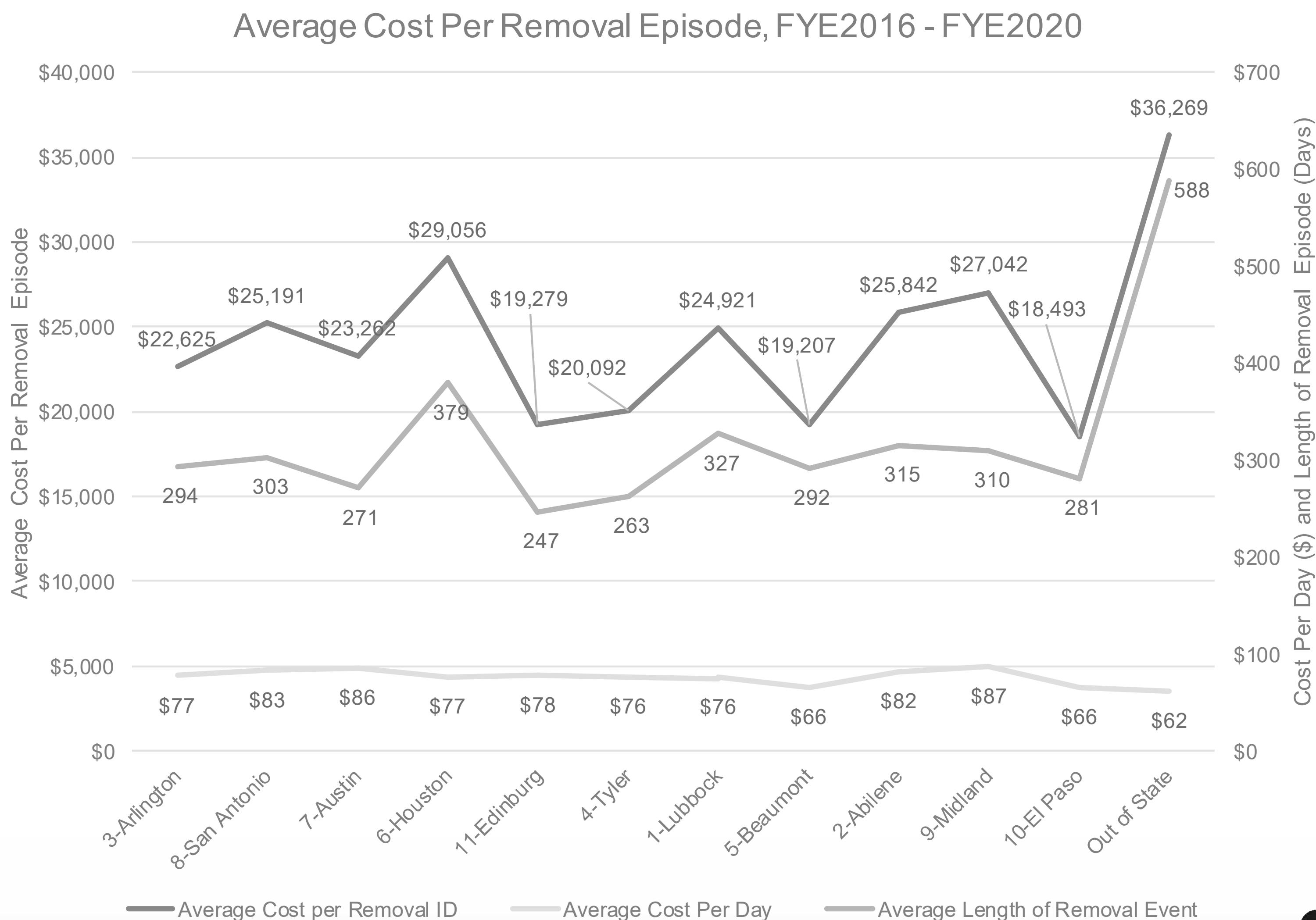
- **The rate calculations mix retrospective costs with forecasted placements.** This could skew the rate calculations because half of the equation (the denominator) no longer aligns directly with costs. For a methodology that uses retrospective costs, retrospective placements should also be used (and then adjusted for inflation and updated to account for service utilization changes).

- **There is overreliance on fundraising to support contract requirements.** Ideally, fundraising should support program innovations or enhancements. Final rates are determined by the legislature based on available funding.

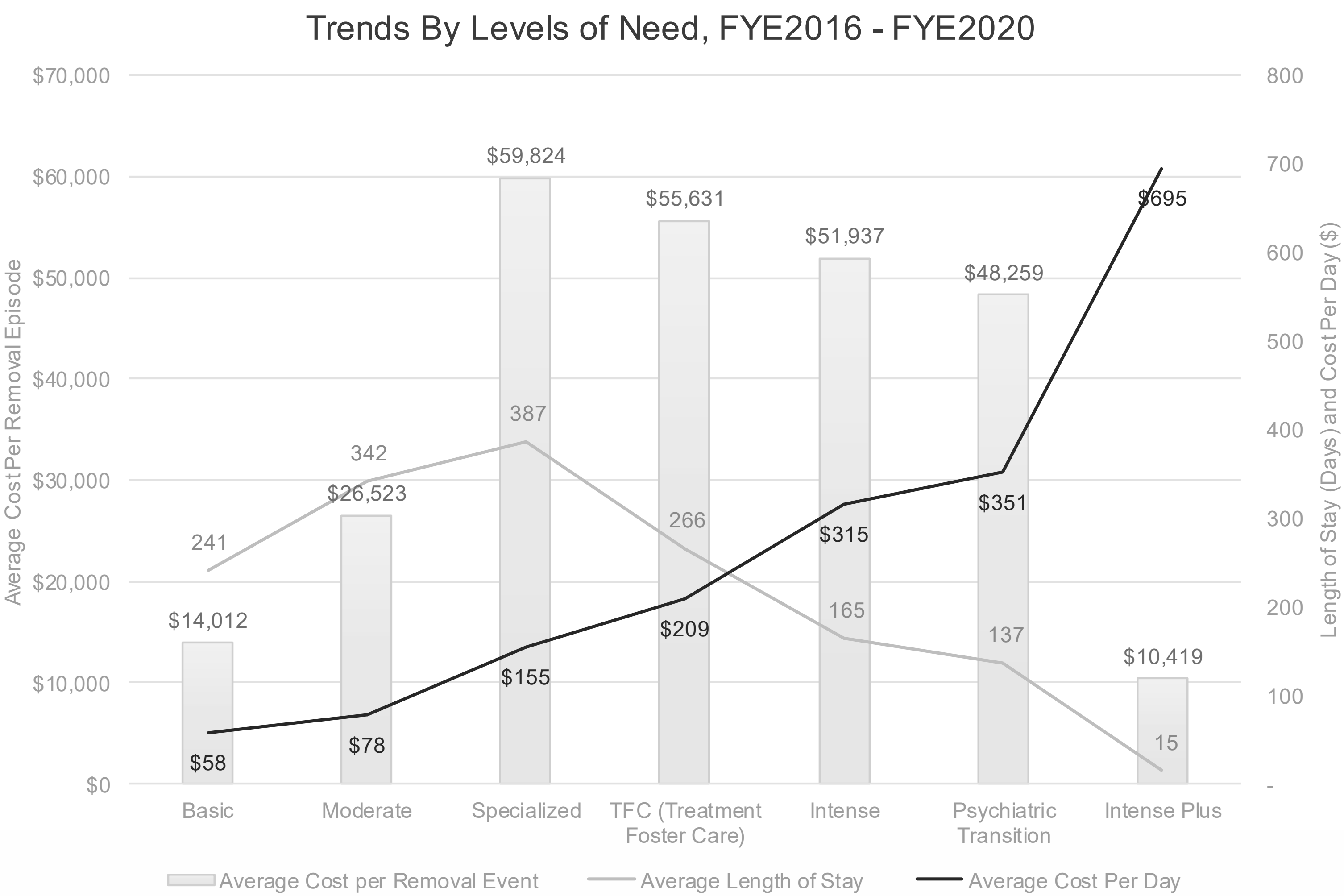
- **There is a lack of financial incentives and accountability in the rates.** Legacy foster care providers could be held more financially accountable for performance, through incentive and penalty payments for timely permanency, successful program exits, and clinical progress expanding on the requirements of S.B. 11. Because the daily rate for the CBC system has not been sufficient to cover costs, the state has stepped in to cover costs above and beyond the daily rate, while the SSCCs have fundraised. This has been necessary to keep the system viable, but negates the effectiveness of a blended rate, which ideally offers some risk (to incentivize efficient care) while also providing some reward (such as flexibility).

Data Analysis

Cost of care is a function of length of stay and cost per day – and varies by region

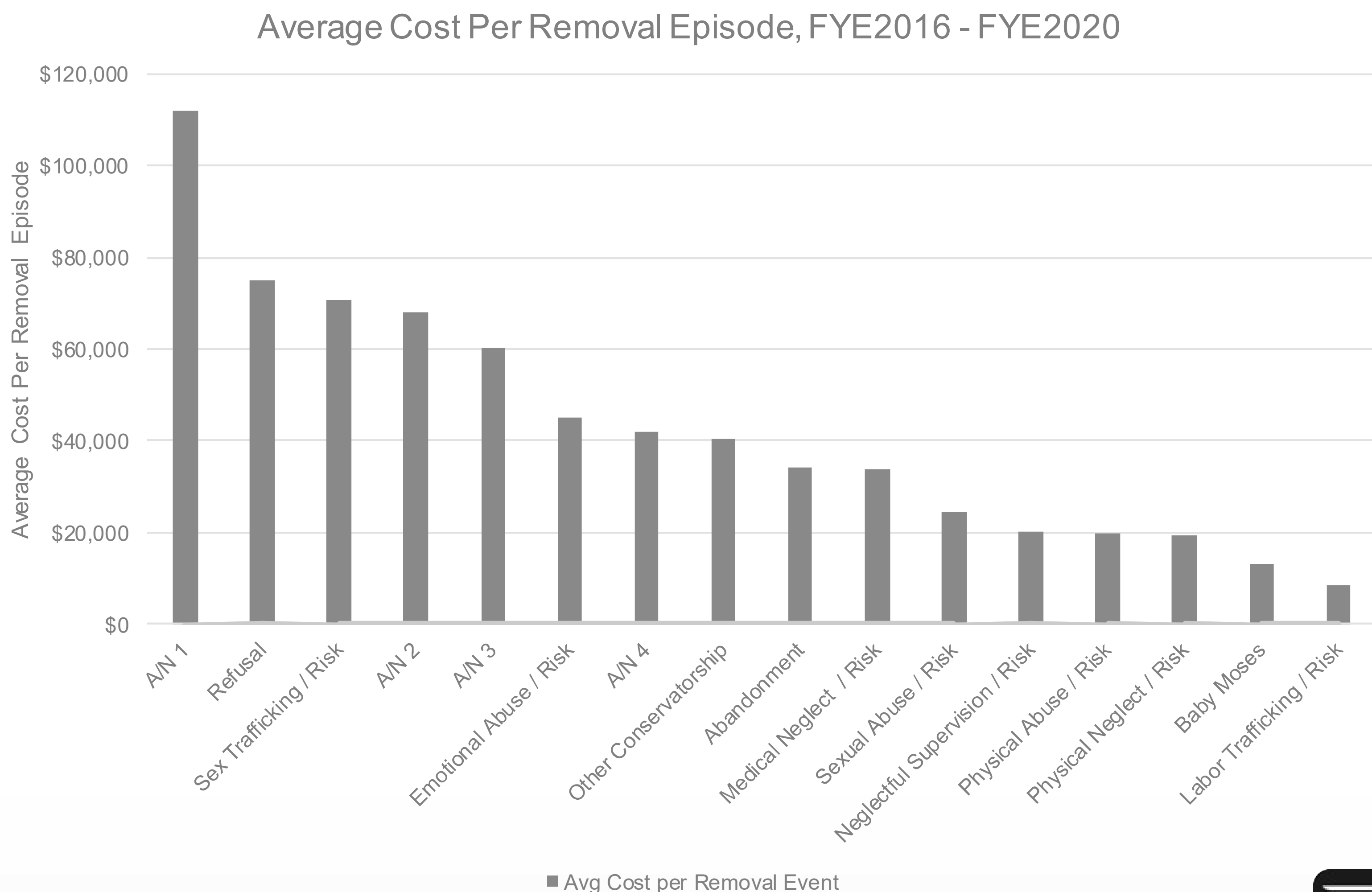


Specialized levels of care tend to be most costly to the state



Removal reasons aren’t very useful for predicting cost

- There are often multiple removal reasons
- The vast majority of removals are due to neglectful supervision



CANS analysis is more promising ….

Domain (Reviewed Independently as Single Regressions)	Average Score Predictive of cost?	Total Risk Items Predictive of Cost?
Acculturation	✓	
Behavioral and Emotional Health Needs	✓	
Child Traumatic Experiences	✓	✓
Infants and Young Children Behavioral and Emotional Needs	✓	
Infants and Young Children Functioning/Development	✓	✓
Infants and Young Children Risk Behaviors	✓	
Infants and Young Children Risk Factors		
Life Functioning	✓	
Child Risk Behaviors	✓	✓
Strengths	✓	✓
Suicide Risk	✓	✓
Traumatic Stress	✓	✓
Psychiatric Crisis History	✓	✓
Psychiatric Hospitalizations History	✓	✓
Child Involvement in Child Protection	✓	✓

But more analysis and work is needed before CANS can be utilized for rate setting.

Rate Recommendations

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a. Alternative Rate Recommendations

Alternative Rate Recommendations

- Continue to reimburse the legacy foster care providers with daily per diem rates and continue to pay the SSCCs a blended daily rate in Community Based Care.

- In the legacy system, shift away from tying rates to children's assessed service level toward a system with defined foster care program models and corresponding rates. Moving to a system that aligns programs to needs, and aligns rates to costs, will allow DFPS/HHSC to better track the cost of caring for children with different needs.

PCG's review was undertaken with the understanding that the state aims to shift to the CBC model by 2028-2029 statewide. While not recommending a complete overhaul of the rate methodologies, ***the recommendations on the following pages will require significant effort and resources to accomplish***.

b. Individualized Needs of Children

Individualized Needs of Children

• Align the legacy rates to specific, clearly defined, placement/program models. Move away from tying rates to both placement setting and service level, and tie to placement settings/programs only.
    • Consider the types of personnel and credentials that are desired for programs and factor commensurate and competitive salaries into the models.
• Price the elements of the program models using cost report data and market analysis.
• Review the rate calculations with stakeholders to refine the models and price.
• For facility-based programs, pay the rates that align to the placement setting in which a child resides, for as long as the child resides there.
    • For family-based settings, when a child is assessed as eligible for a lower level of placement, keep the rate constant for some period of time.
• Use CANS assessments (and other tools) to inform placement and service decisions and track progress.
• Recalculate the rates every three (3) years and in between when there are significant program changes. Adjustments for inflation should occur annually, if possible.

c-d. Regional Variation in Costs and Locally Competitive Wages

Regional Variation and Locally Competitive Wages
Regional cost variations are driven by length of stay and service levels. This may be due to differences in case mix across the regions, as well as differences in the capacities of regions to meet those needs. Overall, there was not a clear association between regional CANS scores and regional costs. • Continue to track regional differences in CANS scores and costs to determine if trends emerge. • Instead of geographic modifiers for locally competitive wages, consider the types of personnel and credentials that are desired for programs and factor commensurate and competitive salaries into the legacy rate development process across the state. This step alone (although not simple or cost neutral) may minimize the geographic issues and would be an important first step toward normalizing the salaries and rates.

e. Least Restrictive Environments and High-Quality Services

Least Restrictive Environments and High-Quality Services
The daily blended CBC rate is already structured to incentivize placing children in the least restrictive setting that can best meet their needs, because the SSCCs will benefit financially from shifting to lower levels of care. Given that the state is transitioning to the CBC model, we recommend a few adjustments to the current legacy rate system to better financially incentivize less restrictive placements and high-quality intensive home and community-based services: • For foster family homes, when a child is assessed as eligible for a lower level of placement, keep the rate constant for some period of time to allow the child/youth to continue to receive needed services to sustain the progress that has been made. • Develop incentive payments for CPAs and residential programs for desired outcomes. • Incorporate more foster family recruitment and retention support into the CPA retainage rate. • Incorporate more family work, family engagement, and aftercare into the residential rates.

f. Sustainable CBC Model

Sustainable CBC Model
• Calculate the daily blended rates based on the new legacy rates and CBC regional utilization data. • Adjust the rate for known prospective changes (program changes, price increases, etc.) specific to the CBC regions. • Utilize CANS data to validate the CBC placement trends and track changes in case mix by region. • Reforecast the daily blended rates annually.

g. Risk Mitigation Strategies

Risk Mitigation Strategies
• Continue the exceptional care "carve out" • Implement a risk reserve, including the development of a process for CBCs to petition the state for additional funds from the reserve under specified circumstances.

h. Sound Rate Development Practices

Sound Rate Development Practices
Section 1903(m) of the Social Security Act and 42 CFR §438.4 require that Medicaid managed care capitation rates be actuarially sound, meaning that the capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the managed care plan for the time period and the population covered under the terms of the contract. Utilizing this definition as a guide, we recommend: • Recalculate the legacy rates to tie to specific placement settings and programs. • Utilize current CBC placement data to project the daily blended rate annually. • Consider adjusting the rates annually for inflation and continue adjustments as needed for significant program or policy changes

Federal Funding Recommendations

i. Federal Funding Recommendations

Federal Funding Recommendations
1. Maximize the use of Medicaid waivers for youth with high behavioral health needs. 2. Encourage STAR Health, Local Mental Health Authorities and providers to maximize use of S.B. 1177 In-Lieu-Of Services 3. Increase the use of Targeted Case Management (TCM) and Mental Health (MH) Rehab Service within current Managed Care Organization (MCO) model. 4. Follow-up on S.B. 58's Behavioral Health Integration Advisory Committee (BHIAC) Integration of Behavioral Health and TCM Services into Managed Care Model findings to determine which recommendations were implemented. 5. Conduct a feasibility study to determine costs and implications of bundling TCM and Medicaid Mental Health Rehab into the provider payment structure. 6. Streamline the Medicaid credentialing processes to improve how providers become credentialed provider through a Managed Care Organization (MCO). 7. Review opportunities to increase the Title IV-E eligibility rate. 8. Increase kinship licensing 9. Develop Title IV-E administrative claiming strategies for GRO/RTC placements. 10. Develop a method to claim costs associated with child specific contracts.

Cost Report Recommendations

j. Cost Report Recommendations

Cost Report Recommendations
1. Add geographic location to provider cost reports to better capture program locations and service areas. 2. Require discrete reporting by service (i.e., do not comingle GRO and RTC revenue, expense and service data). 3. Require DFPS revenue to allow cost report data to furnish solvency analysis without tying in state data sets (which should be used for quality assurance). 4. Add a fundraising line for non-DFPS revenue so that HHSC and DFPS can understand provider reliance on fundraising. 5. Require only one (1) cost report from each agency (with program detail delineated within one submission). 6. Update the cost report to isolate Qualified Residential Treatment Program (QRTP) costs.

Questions?

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