

2018 Supplemental Budget Decision Package

Agency: 307 Department of Children, Youth, and Families

Decision Package Code/Title: PL – B4 Increase BRS Rates

Budget Period: 2017-19

Budget Level: Maintenance Level

Agency Recommendation Summary Text:

The Department of Children, Youth, and Families (DCYF) requests \$3,537,000 (\$3,499,000 GF-State) to fund a rate increase for some Behavioral Rehabilitation Services (BRS) providers. In July 2017, the facility-based BRS rate was increased by \$750 per child per month. This rate adjustment was applied to six campus facility-based care providers. Effective October 2017 (subject to funding being made available), DCYF will increase the rate for all other facility-based BRS services by the same amount. This second increase will include the balance of facility-based providers who were not included in the July 2017 rate adjustment who are primarily staffed residential or group home providers.

Fiscal Summary:

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State	\$0	\$3,499,000	\$3,499,000	\$3,499,000
001-A General Fund-Federal	\$0	\$71,000	\$71,000	\$71,000
Total Cost	\$0	\$3,570,000	\$3,570,000	\$3,570,000
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
001-A General Fund-Federal	\$0	\$71,000	\$71,000	\$71,000
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Object N – Client Services	\$0	\$3,570,000	\$3,570,000	\$3,570,000

Package Description:

Behavioral Rehabilitation Services (BRS) is reserved for children who present the highest behavioral needs and who require the highest levels of structured care. This request is for funding to address the following issues:

1. The rates currently paid for BRS are inadequate, leaving contractors unable to cover their costs.
2. Low rates of reimbursement make it difficult to attract or retain providers and suppresses program expansion with existing providers.
3. An increasing shortage of in-state BRS providers has forced CA to send an increasing number of dependent children out of state.

4. Some providers have indicated that they intend to cease operation of BRS and others have indicated that, unless circumstances change, that they will be forced to do so as well.

In July of 2017, the department raised the BRS rate for campus facility-based providers by \$750 per child / per month. Prior to this rate increase, all BRS providers received payments rates ranging from \$2,693 to \$7,618 per child/ per month, depending on the needs of the child. (see attached document showing BRS rates prior to the \$750 increase). The intent of this rate adjustment was to stem the loss of providers for facility-based BRS services. The department intended the July rate increase to be a pilot, allowing it to stabilize the existing facility-based provider group and to seek feedback from these providers while evaluating the rates for service and costs of doing business across the BRS provider network. While this rate adjustment did ease some pressure and was well received by all facility based providers, it still did not prevent the loss of a major provider. Within months of the rate adjustment, a major BRS provider, chose to terminate its contract with the department, citing the low rate of reimbursement and the inability to sustain operations.

This provider had, for some time, advised DCYF that they were supplementing their BRS costs with money raised through fund raising and accessing endowments. This provider had indicated a short term willingness to accept a rate of \$540 per day (\$16,000 per month) but identified their true costs require a rate closer to \$22,000 per month. This provider and others cite the increase in minimum wage and decreases in some County Medicaid programs as contributing factors. All providers express that their programs have to adjust to meet the ever increasing demands of the youth placed with them, to include higher quality/intensity of behavioral health supports, greater educational supports, social development, and facility improvements. All providers consistently remind DCYF that their rates have not increased beyond 2008 levels.

Although limited in scope, the July rate increase will cost \$1,030,000 (\$1,009,000 GF-State) for a full year.

On October 1, 2017, if funding is provided, the department will apply the same rate increase to the remainder of BRS facility providers. After this second rate increase, all BRS facility providers will be paid a higher rate. This rate change will cost an additional \$1,905,000 (\$1,867,000 GF-State) for the remaining months in Fiscal Year 2018. The annual amount beginning in Fiscal Year 2019 is \$2,540,000 (\$2,490,000 GF-State).

This request is for funding to increase payment rates for the children currently receiving BRS. No increase in the number of children receiving BRS is assumed. The goal of this rate increase is to avoid the loss of BRS providers. It is anticipated that this rate increase will not result in a significant increase in the number of providers available to provide BRS but may stimulate some program expansion for existing providers. As such, no offsetting savings are expected from a decrease in the number of expensive, temporary placements of children waiting for placement with a BRS provider. However, further loss of BRS providers could increase costly hotel stays and out-of-state placements and introduce further instability for DCYF's most vulnerable children.

The department is in the process of identifying a contractor to perform a comprehensive study of the vendor rates paid for services for children. This study will include a review/analysis of BRS provider rates. It is anticipated that the results of this study will help identify appropriate rates for BRS services.

Please see Decision Package for the Department of Social and Health Services for funding needs for this rate increase for Fiscal Year 2018.

Base Budget:

Fiscal Year 2017 expenditures for BRS services were \$61,137,638 (\$41,415,282 GF-State).

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

Around 397 children are receiving BRS services from facility-based providers monthly. This request proposes to increase the current BRS rate by \$750 per child per month. Therefore, the total additional cost to fund the rate increase (397*750) would be \$3,570,000.

This assumption includes the number of BRS youth in group-based facilities, both in-state and out-of-state providers but excludes child-specific contracts.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Retain the 28 BRS facility providers and attract new providers in to the market.

Performance Measure detail:

Fully describe and quantify expected impacts on state residents and specific populations served.

This request is for funding to increase payment rates for the children currently receiving BRS. We did not assume increases in the number of children receiving BRS. The goal of this rate increase is to avoid the loss of BRS providers. We anticipate that this rate increase will not result in an increase in the number of providers available to provide BRS. As such, we do not expect offsetting savings from a decrease in the number of expensive, temporary placements of children waiting for placement with a BRS provider. However, further loss of BRS providers could increase costly hotel stays and introduce further instability for CA’s most vulnerable children.

What are other important connections or impacts related to this proposal?

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov’t impacts?	No	Identify:
Tribal gov’t impacts?	No	Identify:

Other state agency impacts?	No	Identify:
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.

What alternatives were explored by the agency and why was this option chosen?

The department examined its out-of-home placement continuum and discovered insufficient payments to BRS providers. The department has previously requested increases to the rates paid to providers and is growing increasingly concerned about instability in the provider network. DCYF lacks the resources to conduct significant rate increases to these providers without additional funds. The long term strategy includes a comprehensive review of the cost of providing care and rate setting.

What are the consequences of not funding this request?

Providers lose money in delivering BRS services and terminate their contracts to accept the state's children. Lack or shortage of BRS providers would force the department to use expensive alternatives, such as hospitals or hotel stays.

How has or can the agency address the issue or need in its current appropriation level?

These activities cannot be absorbed within the existing appropriation. DCYF cannot achieve the intent of the rate increase without discontinuing another crucial child welfare services or laying off case workers. If the request is not funded, DCYF will be in a difficult position of choosing to keep one by sacrificing another crucial child welfare activity.

Other supporting materials:

Information technology:

No

Yes

