

Reexamination of the Role of Group Care in a Family-Based System of Care: A Status Report

**R e p o r t t o t h e L e g i s l a t u r e
A u g u s t 1 6 , 2 0 0 2**

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EXECUTIVE SUMMARY

The Reexamination of the Role of Group Care Project was established as a result of the mandate of Senate Bill (SB) 933 (1998), requiring the reexamination of group care in a family-based system of care. The project is a multi-year project with a vision for foster care children, placed in group home care, that will match needs with services and provide more accountability for positive outcomes for children and families. The June 2001 Report to the Legislature, Reexamination of the Role of Group Care in a Family-Based System of Care, (*The Report*) contains 31 recommendations and the short-term and long-term activity action plan to implement the principles of the vision. These recommendations were made as a result of the evaluation of data collected by Eastfield Ming Quong, Family Partnership Instituted (focus groups), and University of California Davis ([UCD] Group Home Study). *The Report* reflects the current status of the 2001 programmatic and administrative efforts of the California Department of Social Services (CDSS), California Health and Human Services, and the Reexamination Steering Committee to achieve the vision for a group care system which will better serve children and families who enter California's foster care system.

In January 2001, CDSS began the second phase of the Reexamination project, which was to develop the programmatic and administrative requirements linked to the new vision for group care. The process began with a series of Steering Committee-represented sub-committee workgroups to ensure that objectives outlined in *The Report's* Short-term Activities Action Plan were met. The workgroups performed tasks based on *The Report's* recommendations in the areas of Group Care Programs, Child-Focused—Assessment, Child-Focused—Criteria for Placement, Child-Focused—Case Management, and System-Focused—Funding. The funding recommendations in *The Report* were subsequently put into statute in Assembly Bill (AB) 2876 (Statutes of 2000), which required CDSS to hire an independent contractor to explore and recommend alternative funding mechanisms. The study was performed by California State University (CSU), Hayward (See Appendix A).

A summary of the 2001 Reexamination Workgroups' efforts is as follows:

- The Group Care Programs Workgroup addressed *The Report's* recommendations regarding the development of specific categories of group home program models with specific services to serve children by developing a descriptive matrix of group home typologies based on *The Report's* models. However, the committee expressed concerns, that prior to implementing envisioned categories, typologies would require testing for matches against current published research and *best practices* regarding the needs of children.

- The Child-Focused—Assessment recommendations outlined in *The Report*, identified the need to have a comprehensive assessment process that places children in the environment that best meets their needs. Workgroup efforts to evaluate these assessment recommendations were delayed until further assessment of *best practice assessment guidelines*. The Recommendation of “Best Practices Child and Family Assessment Protocol Pilot Project,” *Report to the Legislature*, released February 2, 2002, was to terminate pilot due to implementation issues. CDSS will pursue other efforts to develop a comprehensive assessment process and integrate “best practice assessment” philosophies.
- The Child-Focused—Placement Criteria Workgroup is addressing *The Report’s* recommendations to establish criteria that determine when group care is the most appropriate setting for children. The workgroup is evaluating current placement practices and policies by gathering input through surveys and documents/processes provided by child welfare agencies, probation, care providers, and other stakeholders regarding placements. Once the evaluation process is completed, they will work with interested stakeholders to develop recommended placement criteria.
- The Child-Focused—Case Management Workgroup has addressed *The Report’s* recommendation, which identifies the need for all involved in service delivery to have clearly defined responsibilities and to work together for the benefit of the children. The workgroup found the *Best Practice Protocols for the Placement of Children in Group Homes* (Appendix D) should be the model to develop memoranda-of-understanding between counties and providers.
- The Alternative Funding/Rates Study Workgroup was established to analyze the independent contractor’s study regarding exploring alternative funding mechanisms (Appendix A), identified in *The Report* and required by AB 2876 (Statutes of 2000). The Workgroup acknowledged that time constraints and limited funding data resources posed serious limitations to the study. The Workgroup concluded that many of the contractor’s recommendations require more development and/or further evaluation before they may be considered viable.

Conclusion

Over the past year CDSS, in coordination with the Health and Human Services Agency, has led processes to begin programmatic and administrative efforts to redesign group home care in a family-based system of care, consistent with principles established in *The Report*. The goal is to implement a new system that improves services, funding mechanisms, assessment and placement practices, and to create a system that increases oversight and accountability to better serve children and families. This effort continues to require a commitment from multi-governmental agencies, stakeholders,

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and communities that serve these children and families. While many of the primary tasks to implement the short-term objectives to fulfill this vision have begun, much work remains needed to fully realize the redesign vision and to incorporate it into the framework of the Child Welfare Services (CWS) Stakeholders Group implementation plan.

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INTRODUCTION

Senate Bill (SB) 933 (Chapter 311, Statutes of 1998), required the California Department of Social Services (CDSS) under the direction of the California Health and Human Services (CHHS) Agency and in collaboration with stakeholders, to reexamine the role of group care in a family-based system of care. The process began with the appointment of a Steering Committee, consisting of representatives from state departments, county departments, provider and foster parent groups, advocacy groups, and parent and youth groups. The CDSS and the Steering Committee then developed a work plan that identified the tasks and timelines necessary to begin the reexamination process and submitted the work plan to the Legislature in April 1999.

These efforts resulted in the Reexamination of the Role of Group Care Project, which is part of a larger effort to reform the out-of-home care system in order to provide more effective services. The CDSS-appointed Child Welfare Services (CWS) Stakeholders Group is charged with examining the broader spectrum of the child welfare system and making recommendations that will produce positive outcomes for children and families throughout the continuum of care.¹ The intent is to eventually merge these efforts, where appropriate, to effectively improve services and outcomes for California's children and families.

The scope of the Reexamination process focuses on children placed in group care by child welfare services, probation, and mental health/educational systems and is from empirical research and *best practices* data that identify factors that are critical in supporting the healthy development and functioning of children. Recommendations for reform address ways to fortify family-based care and ensure that group care is a temporary option that meets children's individualized needs and builds on their strengths, rather than a default chosen when other services are lacking.

Reexamination Phase I Activities/Final Report

To assist in collecting data for the Reexamination Project, CDSS contracted with Eastfield Ming Quong, Family Partnership Institute to conduct eleven focus groups, consisting of five family groups, five service community groups and one youth group. Additionally, academicians from the University of California, Davis (UCD) conducted a Group Home Study based on data collected from statistical extracts, case reviews, literature searches, and a survey of other states.

¹For more information regarding the CWS Stakeholders Group, please refer to our web site <http://www.dss.cahwnet.gov/cws/>.

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These research efforts supplemented the experiences of the Steering Committee. Through a collaboration of efforts CDSS, CHHS, and the Steering Committee concluded that California's group care system must be largely redefined to achieve positive and consistent outcomes for children and families. The findings and recommendations from the research are the basis of a Report to the Legislature entitled, Reexamination of the Role of Group Care in a Family-Based System of Care (*The Report*) released June 2001.

The Report outlines the principles and values that support a vision for group care. The primary themes of the vision involve creating a group care system that delivers a specific set of services that match the needs of children and their families. The vision is for a group care system that is family focused, child centered, and strengths-based that involve the coordination of public and private services connected to all aspects of the child's life and family needs. *The Report* also includes the short-term and long-term activity action plan for Phase II of the Reexamination process, which begins the process of development of the programmatic and administrative requirements to fulfill the vision.

An essential component of the vision specified in *The Report* is the need to develop an alternative payment system that supports good foster care practices and principles of the vision. Concurrent with the Reexamination efforts, Assembly Bill (AB) 2876, (Chapter 108, Statutes of 2000) required CDSS to hire an independent contractor to evaluate alternative funding mechanisms for children placed in group home care and to formulate a proposed payment system with specific mechanisms.

Reexamination Phase II Activities

In January of 2001, CDSS, CHHS, and the Steering Committee began the Phase II Short-term Activities linked to recommendations in *The Report* in areas of group care programs, child-focused assessments, child-focused placement criteria, child-focused case management, and system-focused funding issues. Phase II Long-term Activities will focus on the development of outcome measures, transition goals, training on new requirements, evaluating data, and pursuing federal financial participation to support more services for children. These activities will follow the completion of all Phase II Short-term Activities.

The Report identifies the following Short-term Activities:

Short-Term Phase II Activities

As excerpted from *The Report*, the short-term activities of Phase II were (not limited) to:

- *Finalize the categories and services for the types of group homes that will be the standard for the role of group care including defining the needs of children to be served.*
- *Propose licensing standards and licensing entities based on the new categories of group homes and the needs of the children to be served.*
- *Determine the role of licensing versus the role of accreditation in determining the quality of care provided to children and families in group care.*
- *Evaluate the feasibility of creating short-term assessment centers.*
- *Continue to make linkage to assessment processes and the Best Practice Guidelines for Assessing Families and Children in Child Welfare Services.*
- *Using the services of an independent consultant, design a payment system that will support the recommendations and principles of CDSS and the Steering Committee.*
- *Develop standards for Memoranda of Understanding to be used as contractual agreements between counties and providers.*
- *Revise the Best Practice Placement of Children Guidelines to be consistent with the new group care structures.*
- *Design an accreditation requirement to provide mechanisms to ensure consistent standards for practice and continuous quality improvement in group care.*
- *Design an oversight requirement to include monitoring of system outcomes, program evaluation, and enforcement of standards and regulations.*

The focus of this Status Report is to provide an update of the progress of the 2001 Short-Term Phase II Activities undertaken by CDSS, CHHS, and the Steering Committee and to discuss processes and issues to develop programmatic and administrative requirements linked to implementing *The Report's* recommendations. The Status Report is divided into sections that represent workgroup efforts to address

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recommendations identified in *the Report*, including the Urban Institute at CSU, Hayward, Alternative Funding Study report entitled, *Funding California's Group Homes: Services and Homes for the Children* (Appendix A). The Status Report concludes with a brief discussion about lessons learned from related activities and recommendations for continuing future efforts.

WORKGROUPS

Phase II reconvened the Steering Committee in January 2001. Steering Committee membership self-selected into workgroups chaired by CDSS, Family and Children Services Division staff, with the exception of the Group Care Programs Workgroup, chaired by CDSS, Community Care Licensing Division staff, since the workgroups were chaired by program staff with respective responsibility and expertise related to the recommendations. The workgroups were established to meet specific objectives and tasks identified in *The Report*. The workgroups were comprised of stakeholders, including providers, advocates, CDSS staff, county social services staff, county probation officers, California Department of Mental Health (CDMH) representatives, legislative staff, and former foster care youth. (See Appendix B for workgroups' membership/attendees lists.) The sections that follow address each of these workgroups' tasks, timelines, current status, and next steps to implement *The Report's* recommendations and fulfill the new vision for group care for children and families who enter California's foster care system.

Group Care Program Recommendations—Types and Roles of Group Homes

The Report's recommendations in the area of group care programs call for the development of specific categories of group home program models to better provide specific services to children with different needs, using six primary models as a foundation from which to expand. These include programs to address emancipation, life skills, emergency shelter and assessment, residential treatment (mental-health oriented), residential treatment (behavior-management oriented), and community treatment facilities. Once these categories for group care programs are finalized, *The Report* also recommends a transition process to implement the new program models. The Group Care Program Workgroup addressed the recommendations by beginning the following short-term activities:

- *Finalize the categories and services for the types of group homes that will be the standard for the role of group care including defining the needs of children to be served.*
- *Propose licensing standards and licensing entities based on the new categories of group homes and the needs of the children to be served.*
- *Determine the role of licensing versus the role of accreditation in determining the quality of care provided to children and families in group care.*

Tasks

1. Determine whether all anticipated needs of children can be met by the facility types proposed in *The Report*;
2. Explore ways to address unanticipated needs;
3. Determine the appropriate categorization of services as either “core” (an essential element of the program) or “as needed” (a necessary service for a specific child);
4. Produce a typology including specific categories of group homes, program models and essential service elements. (See Appendix C for a descriptive matrix.)

Timeline

The Workgroup met from late March until early June and presented its findings to the Steering Committee at the May 23, 2001 meeting. The Workgroup determined that the task of assessing the role of licensing versus the role of accreditation in determining quality of care could not be responsibly addressed in the current time constraints and agreed to defer this task.

Current Status

The Workgroup evaluated typologies for group home based on *The Report's* six models and found it necessary to add an additional program model—Pregnant and Parenting Minor Programs. The matrix reflects the group's effort to forge innovative models supported by needed aftercare and family intervention, which are both integral to successful group care programs. The Workgroup also stressed encouraging the exploration of alternative funding sources and alternatives to current licensing and/or certification protocols.

Comments and Concerns

Workgroup members agree conceptually regarding the typology matrix. However, the group shared these comments and concerns:

- How will these typologies ultimately be applied? Will they be mandatory or of a more descriptive nature?
- The typologies are untested and should not be advanced until they are reviewed or “piloted” by providers against the current reality of group homes, in order to determine whether implementation will improve or inadvertently harm the system and/or compromise the well-being of children.
- The typologies must be tested against criteria that county social workers and probation officers use when placing children into group homes with results measured against published research on the needs of children, and matched against the placement criteria.
- Support of typologies will be based upon testing results, which will provide indicators to refine or “scrap” the model.

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- The model may prove to be a valuable tool for guiding providers in their design and development of group home programs and the review of program statements by CCL and county placing agencies. ***However, it must not be used for rate-setting or licensing purposes before we know whether it is actually appropriate to either of these functions, based on testing against reality and placement criteria development. There are no “cheap and easy fixes” to this complex problem.***
- The model will not work without adequate community service linkages.
- The model requires sufficient funding.
- Integration of the family as appropriate in all aspects of treatment of the youth is crucial to the success of the model.
- The application of the doctrine of strict liability deters group home operators from allowing youth to engage in experiences that will assist them to emancipate successfully.

Next Steps

Recommendations will be evaluated and modified, as necessary, in conjunction with the findings of the other workgroups to determine whether adjustments need to be made to the model and our recommendations for its application.

Child-Focused Recommendation—Assessment

This recommendation addresses the need for California’s child welfare system to have a comprehensive assessment process that places children in the environment that best meets their needs. *The Report* identifies the criteria for an improved assessment process, which includes:

- *identification of individual needs (educational, mental health treatment, etc.);*
- *identification of available resources (family, activities, etc.);*
- *evaluation of safety, living arrangements, health and medical, psychological, educational, recreational, cultural situation;*
- *family’s and child’s input (when the child/youth is old enough to provide input);*
- *information from former placements;*
- *delineation of responsibilities of all parties (group home, family, workers, child/youth);*
- *transition plan for return to community;*
- *process for transferring important information from county to placement resource.*

The Report also reflects the necessity for family and community partnerships and the need to ensure that there is a plan to work with the strengths of the family in all areas of services, in the planning and implementation of a new system of care for children placed in foster care. Based on these principles, *The Report*, recommends a review of other efforts, including the “Best Practice Guidelines for Assessing Families and Children in Child Welfare Services” to create a statewide assessment protocol. A workgroup led by CDSS, Child Welfare Services Bureau was to begin the following short-term activities:

- *Evaluate the feasibility of creating short-term assessment centers.*
- *Continue to make linkage to assessment processes and the Best Practice Guidelines for Assessing Families and Children in Child Welfare Services.*

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Tasks

1. Develop a comprehensive process to ensure that children receive the services they require in the least restrictive environment that is suitable for their particular needs.
2. Emphasize family involvement.
3. Review other efforts, including the “Best Practice Guidelines for Assessing Families and Children in Child Welfare Services,” developed by CDSS to create a statewide assessment protocol.

Status

This Workgroup was delayed since the recommendations require a review of previous efforts that involve *best practice assessment guidelines*, which were being evaluated for their effectiveness.

Prior to *the Report's* recommendations regarding assessment, SB 933 (Chapter 311, Statutes of 1998) required CDSS to make available *best practice guidelines* for the assessment of children and families to all county placing agencies and the courts. The statute also required CDSS to conduct a pilot project to test the effectiveness of an *assessment protocol or process* developed in collaboration with county agencies and other stakeholders to identify strengths and needs, develop case plans and determine appropriate services.

Consequently, an advisory group was formed of key county staff, advocates, providers, CDSS and other state level child serving departments. The advisory group developed a charter for the project. A design team was formed from multi-departmental teams from participating pilot counties. The advisory group and the design team defined the parameters of the pilot, and agreed upon definitions, terms, and conditions.

The CDSS and their contractors completed an interim report to the Legislature entitled, “The Best Practices Child and Family Assessment Protocol Pilot Project,” released February 1, 2002, regarding the effectiveness of implementing *best practice assessment guidelines* in participating pilot counties. The recommendation of their report was to terminate the pilot due to: (1) delayed implementation in the volunteer counties; (2) an extremely small number of children receiving services in the pilot; and (3) the variation of approaches used by each county to implement the *best practice assessment guidelines*. Based on these problems, it was determined that continuation of the pilot would not result in tangible improvements in the child welfare system.

Next Steps

The CDSS remains committed to integrating the *best practice* philosophy into ongoing social work practice and at the county and state levels with an emphasis on family-focused and strength-based services. The CDSS will continue to pursue other efforts to develop a comprehensive assessment process to ensure children receive services suitable for their needs based on these principles as recommended in the Reexamination report. Additionally, these efforts will be merged with the CWS Stakeholders Groups' efforts to evaluate "evidence-based" assessment practices, which produce positive outcomes for children and families.

Child-Focused—Criteria for Placement Recommendation

The Report expresses that appropriate placements are crucial to the long-term well being of children. It identifies the need to establish standard guidelines for placement decisions and the need for a better way to evaluate placement resources. The primary recommendations call for establishing criteria that determine when group care is the most appropriate setting for any particular child. Key factors are the child's safety, mental health, educational, and social adjustment needs, as well as an evaluation of community-based services that might enable the child and family to remain together. Another recommendation focuses on the development of statewide placement criteria, utilizing the guidelines developed in the "Best Placement of Children in Group Homes" document as a foundation. The CDSS Placement Criteria Recommendations Workgroup began efforts to address the following short-term activity:

- *Revise the "Best Practice Placement of Children in Group Homes" Guidelines to be consistent with the new group care structures.*

Tasks

1. Determine when group care is the most appropriate setting.
2. Review current guidelines and practices for placement.
3. Develop guidelines that are strength-based and include children and families in the decision-making process.

Timeline

The workgroup held three meetings in July, August, and September 2001, building upon the products of previous workgroup recommendations and in concert with the California Welfare Directors Association (CWDA) Placement Resources Summit and subsequent efforts. The Workgroup expects to have recommendations in 2002.

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Current Status

The Workgroup has discussed and determined that in order to best develop workable and effective criteria they would first need to review (in addition to the best placement guidelines), criteria that is being utilized as part of current practices and policies. To that end, the Workgroup is actively engaged in surveys of documents/processes provided by child welfare agencies, probation, care providers, and other stakeholders.

Next Steps

It is the intent of this Workgroup to utilize this information to develop an outline of current practice, to be used as a basis to determine related needs, including resource needs. Ultimately, effective placement criteria development must work hand-in-hand with placement resource availability, a substantive issue facing counties and the State. Recommended best placement practices and/or enhancements to current criteria will be established during 2002 out of this effort to maximize and complement current resources.

Child-Focused—Case Management Recommendation

The Report specifies that effective case management determines the eventual outcome for children in group care and that each party with a role in service delivery has a critical responsibility for implementing the case plan and monitoring the well being of the child. It identifies the need for all involved in the service delivery to have clearly defined responsibilities as well as the need for them to work together for the benefit of the child. The recommendations focus on:

- *Increasing coordination between public and private agencies.*
- *Providing a single contact person for the child and family in a multi-disciplinary environment.*
- *Supporting overall goals and principles for placements.*
- *Developing a transition plan for all children to be placed in group homes.*
- *Eliminating the seven-day notice in favor of an emergency plan for all children.*

To address these recommendations, the Child—Focused Case Management Workgroup, led by CDSS, Children and Family Services Division staff, addressed the following short-term activity:

- *Develop standards for Memoranda of Understanding for agreements between counties and providers.*

Timeline

The workgroup held a meeting/conference call in April 2001. Workgroup members that were unable to participate provided input and feedback to the CDSS via mail, fax and e-mail.

Current Status

The Workgroup believes that the “Best Practice Protocols for the Placement of Children in Group Homes” developed by the SB 933 Model Placement Protocol Workgroup and led by the County Welfare Directors Association, is the definitive model to develop the Memorandum of Understanding (MOU) between a county and a provider.

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The Workgroup made the following findings:

- The “Best Practice Protocols” present guidelines, not boilerplate language. This provides county flexibility to individualize and address county-specific best practice issues.
- Place only in facilities that have entered into a MOU with the county. This would apply to in-county, out-of-county, and out-of-state placements.
- The main focus of the MOU is service delivery and accountability.
- Prior to entering into an MOU it is imperative that extensive community collaboration and training is done.
- The standards for building a protocol cannot stand-alone. Resources are needed for the support and development of implementing the MOU, as well as for monitoring the MOU.
- There is a need to consider how the MOU will impact providers who work with multiple counties.

In making this recommendation, the workgroup is recognizing and re-enforcing prior recommendations that have been made in the “Best Practice Protocols” (Appendix D). The Model Placement Protocol Workgroup participants included the same organizations that are represented in our workgroup (CWDA, CPOC, CYC, the California Alliance of Child and Family Services, CDSS and DMH). It is also believed that the “Best Practices Protocols for the Placement of Children in Group Homes” model provides counties with flexibility to individualize and address county-specific best practice issues. Counties that have devoted staff to implementing these protocols have reaped the benefits of engaging in a partnership with out-of-home care providers to provide services to our foster youth. Issues that have surfaced after implementing a MOU include the:

- difficulty of the independent six-bed group home facilities to meet the county's criteria for provider responsibility;
- lack of resources for the support and development of implementing the MOU;
- lack of resources for monitoring the MOU (some counties redirect staff to provide oversight).

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Next Steps

- Ensure that the “Best Practice Protocols for the Placement of Children in Group Homes” is available to counties and providers.
- The CDSS will provide technical assistance to counties and providers to develop MOUs.

System-Focused—Funding Recommendations

The Report emphasized the critical need to develop a payment system that provides maximum flexibility and is based on the new vision principles, which match expectations and resources and promote more individualized services, collaboration of agencies, and family involvement. *The Report's* funding recommendations call for the development of an alternative payment system that is:

- flexible to provide services to children in situations other than a group home;
- conducive to effective monitoring and enforcement for provider accountability for public monies;
- able to adjust/respond to changing mandates, industry, costs, etc;
- able to respond to and recognize local/State dynamics;
- flexible enough to permit programs to hold beds vacant to accommodate the needs of local placement agencies;
- able to consider different types of payment methods to accommodate the needs of different group homes;
- able to consider varying regional costs of housing and wages and other factors;
- able to maximize federal financial participation.

The Report recommends that the State engage the services of an independent contractor to evaluate different types of payment systems, which include cost-based rates, client-based rates, managed care rates, program-type specific rates, and negotiated rates, and propose a new system. AB 2876 (Chapter 108, Statutes of 2000) subsequently mandated this recommendation. The statute also required that a steering committee provide direction for the study conducted by the independent contractor and that a copy of the final report be submitted to the appropriate fiscal committee of the Legislature by October 1, 2001. The following short-term activity was addressed:

- *Using the services of an independent consultant, design a payment system that will support the recommendations and principles of CDSS and the Steering Committee.*

Tasks

- The CDSS contracted with Urban Institute at California State University (CSU), Hayward to conduct an Alternative Funding Study, “Funding California’s Group Homes: Services and Homes for the Children” (Appendix A). Additionally, the Urban Institute of CSU, Hayward, subcontracted with the RAND Corporation to conduct a quantitative “Group Home Program Cost Analysis,” which is included in Chapter 4 of the study. Due to the time period allotted for the study and data limitations, the focus of the RAND analysis was limited to group home board and care costs, with a few specific issues focused on group homes economies of scale and counties’ (regional) costs differences.
- The SB 933 Alternative Funding/Rates Workgroup, led by CDSS Foster Care Branch, assisted the contractor by providing:
 - input to survey instruments and interview questions;
 - study and focus group contacts, addresses, and phone numbers;
 - relevant reports related to the study.

Timeline

The SB 933 Alternative Funding/Rates Workgroup met on a monthly basis from January 2001 to October 2001. Due to the lengthy contract solicitation and negotiation process, the time constraints for study were severely limited. The data collection process began in late March, which only left little time for the contractor to complete findings and recommendations. The first opportunity the Workgroup had to review the contractor’s initial draft report of the study and provide feedback was late June 2001. During the subsequent months, CDSS and the workgroup continued to provide input and edits to the contractor to enhance the draft report’s focus, clarity, administrative accuracy, and the development of study results.

The Alternative Funding Study

What follows is a summary of the study research methods, findings, and recommendations as well as the SB 933 Alternative Funding/Rates Workgroup’s analysis of the study and their recommendations for future funding efforts.

Urban Institute at CSU, Hayward, Research Methodology

- **A mixed method of research of quantitative/qualitative techniques:** Use of random sampling, one-on-one interviews and questionnaires/open-ended questions asked of individuals and groups.
- **Four-levels of interviews and focus groups:** State administrators, associations, county staff, group home providers/staff and expert consultants, including at least one out-of-state provider.
- **Surveys regarding cost, revenue, funding and views on rate management:** Initially sent to all California group homes but due to low response rate survey shifted to agencies or programs.
- **Stratified Counties by proportion of children:** Los Angeles and the next eight most populated counties, then randomly sampled seven of remaining 49 counties (mostly rural) participated in the study.
- **Review of other states' systems:** Contacted representatives from all nine states (Colorado, Florida, Illinois, Kentucky, Michigan, Oregon, South Carolina, Washington, Wisconsin) studied in the Maximus Report under contract with the State of Texas.

Summary of Major Findings of Urban Institute at CSU, Hayward (Perceptions of Focus Groups/Interviews)

Focus groups and interviews confirmed problems with the current group home rate system outlined in the Reexamination of the Role of Group Care in a Family-Based System of Care, June 2001, Report to the Legislature. Statewide respondents perceive the current system as:

- *not sufficiently funded;*
- *not child centered;*
- *not outcome driven;*
- *inflexible with regard to program development and hiring staff;*
- *too complicated and not well understood.*

Based on the focus groups and interviews, Urban Institute at CSU, Hayward, finds and believes that the following practices compromise the present and any alternative payment system.

- *Approximately 25 percent of children are not placed in appropriate level of care because of lack of openings when and where they are needed.*
- *Small providers are closing their doors or merging with large providers.*
- *Group home funding is fragmented, and funding agencies do not consider the collective burden of their overlapping and sometimes conflicting administrative requirements.*

It is important to note here that the SB 933 Alternative Funding/Rates Workgroup had reservations about the anecdotal nature of data collected and expressed serious concerns about basing recommendations for a new funding system too heavily on perceptions about the current system that may or may not be accurate.

RAND Supplemental Group Home Program Cost Analysis

Chapter 4 of the study is the RAND Supplemental Group Home Cost Analysis. Whereas the Urban Institute at CSU, Hayward, analyses included a quantitative analysis of state data from 1990 to 2000, the RAND analysis provides an analysis of the most recent characteristics of group homes based on 1998 and 1999 state data. (The data is unaudited as submitted by providers.) The RAND analysis also reports the results of an econometric analysis of costs as a supplement to Urban Institute at CSU, Hayward, analysis and addresses a few specific issues, such as whether group homes experience economies of scale and whether costs differ between counties.

Data and Sources

- The CDSS provided ten years of data from the SR series of unaudited reports (typically referred to as SR 1, SR 2, etc., through SR 5).
- Time needed to review the data and the tight report production schedule limited the analysis to the most recent two years for which the data were complete, calendar years 1998 and 1999. For data in those two years, RAND pursued a program of basic data cleaning, checked for discrepancies between the number of months in the reporting period and the beginning and ending reporting dates; inspected actual occupancy and licensed capacity for dramatic inconsistencies, and verified matches between reported and calculated cost elements.
- Program costs underwent a reasonableness test to identify extreme values for further review.
- The reporting period, occupancy, and cost data were the most important elements, given RAND's charge to address a number of cost-related questions.
- In some instances obvious data entry errors were corrected. All discrepancies that exceeded a certain magnitude were flagged and resolved with CDSS Foster Care Rates Bureau.

RAND Conclusions

Graphical analysis demonstrates:

- *Reimbursements for board and care in 1999 were insufficient for the majority of group homes, and even more group homes at the highest and lowest RCLs were unable to meet their costs.*
- *Administrative salaries and costs approach 20 percent of average total costs per child for programs in some RCLs.*

Econometric modeling and simulation show:

- *Programs with non-group home activities have higher board and care costs.*
- *Group home program costs increase proportionally with size, but the cost of keeping extra capacity is small.*
- *Cost and rate disparities run more deeply than occupancy or capacity readjustments could correct.*
- *Costs do vary somewhat by location, most likely because of differences in local labor markets.*

A number of issues raised proved beyond the scope of this analysis given scheduling constraints. With sufficient time and data, similar kinds of econometric models and simulations could be used to address the full spectrum of group home costs and reimbursements, rather than not just those for board and care. Further analysis would also explore the implications of the proposed alternative rate specification regimes for group homes in light of these additional costs, perhaps in conjunction with a model of group home program entry and exit. Simulations could then estimate group home costs for model programs, tally costs of revised extra capacity goals, and even forecast group home dynamics with the new rate structure.

SB 933 Alternative Funding/Rates Workgroup Analysis of the Study Recommendations

The SB 933 Alternative Funding/Rates Workgroup recognizes the contractor's effort to recommend a comprehensive funding system that is consistent with the greater vision principles. However, while the study expands on programmatic findings contained in The Reexamination of the Role of Group Care in a Family-Based System of Care report, it does not sufficiently focus on essential funding issues nor does it provide adequate alternative methods to implement funding solutions. What follows are two matrixes regarding the study, which illustrate these points. The first matrix reflects the RAND "Group Home Program Cost Analysis" conclusions with comments from the SB 933 Alternative Funding/Rates Workgroup. The second one reflects the CSU, Hayward, Urban Institute's primary recommendations and the Workgroup's comments. The Workgroup Analysis concludes with a summary of the Workgroup's overall concerns regarding the study recommendations, the recommendations they could support, and the next steps that should be taken in exploring alternative funding mechanisms as outlined in *The Report*.

Matrix of RAND Conclusions and SB 933 Alternative Funding/Rates Workgroup Comments

RAND Conclusions	SB 933 Workgroup Comments
<i>Graphical analysis demonstrates:</i>	<p>The RAND study was an important “first step” in looking at the actual costs that the private nonprofit agencies operating group home programs now incur.</p> <p>As with the broader SB 933 group home funding study conducted by Urban Institute at CSU, Hayward, the RAND analysis was impacted by limited time and resources that did not permit sufficient time to develop an in-depth understanding of group home operations and to become familiar with the strengths and weaknesses of the group home cost database analyzed. The conclusions of the RAND study need to be assessed in that context.</p>
<i>Reimbursements for board and care in 1999 were insufficient for the majority of group homes, and even more group homes at the highest and lowest RCLs were unable to meet their costs.</i>	<p>This finding is consistent with statements made by group home providers to the CSU, Hayward, Urban Institute research team in interviews and focus groups and on the survey questionnaires.</p>
<i>Administrative salaries and costs approach 20% of average final costs per child for programs in some RCLs.</i>	<p>This conclusion is consistent with other analyses of group home cost data that CDSS has evaluated over the years and was used in determining the initial rate structure.</p> <p>The fact that the administrative costs of group homes have been consistently at the 20% level may be a reflection of the broad definition of “administrative costs.” In the AFDC-FC cost reporting system, “administration” includes all applicable salary and overhead costs not otherwise defined to be, and claimed as, allowable childcare or social work activities. The current AFDC-FC cost reporting system uses a very narrow definition of childcare staff and social work staff, forcing any staff who are in second-level supervision or above to be counted as part of the administration payroll.</p>

RAND Conclusions	SB 933 Workgroup Comments
<p><i>Econometric modeling and simulation show:</i></p> <p><i>Programs with non-group home activities have higher board and care costs.</i></p>	<p>The CDSS data base used for the RAND study is an invaluable source of comprehensive historical data on the AFDC-FC “allowable” costs incurred by the private nonprofit agencies operating group home programs. However, this database also has a number of weaknesses with regard to program characteristics and other non-cost data items.</p> <p>This conclusion in the RAND study was based on some questionable data. RAND’s division of group home programs into those with, and those without, non-group home activities was made using an item which shows that RCL 14 programs with non-group home activities, like such programs at all of the other RCLs, have higher costs than those without non-group home activities. There are, however, no RCL 14 programs without non-group home activities. By definition, all RCL 14 programs must accept only seriously emotionally disturbed (SED) children placed through interdisciplinary teams including representatives of the mental health system. All RCL 14 programs have “non-group home activities” in the form of mental health services provided under contracts with county mental health departments. Yet, the division of group home programs used in the RAND study includes RCL 14 programs <u>without</u> “non-group home activities.” There are no such RCL 14 programs. This anomaly illustrates the fact that the data used to draw this conclusion contained flaws.</p> <p>This is an important point because the RAND study uses this questionable conclusion to state that “... group homes may not be able to cover all of the costs devoted to these (non-group home) programs, and some of the higher costs may spill over into the board and care costs.” In actuality, the opposite is probably true.</p>

RAND Conclusions	SB 933 Workgroup Comments
<p><i>Group home program costs increase proportionally with size, but the cost of keeping extra capacity is small.</i></p>	<p>[The comments on this conclusion are separated into two sections.]</p> <p>The wording of this conclusion may leave readers of the RAND study with the inaccurate impression that group homes become less efficient as they increase in size because their reported costs go up as they increase in size.</p> <p>In the analysis upon which this conclusion is based, the RAND study treated group home programs as if they were identical stand-alone entities. It did not differentiate between truly small stand-alone programs and “small” programs that are operated by “large” agencies with multiple group homes and other programs. It also did not differentiate between group home programs that consist of multiple six-bed residences in the community and those with a single campus-based program. These factors may influence the proportionality, or lack thereof, associated with group home costs. Additionally, one of the reasons that larger programs may have higher overall average costs is that they pay somewhat higher wages and benefits. Their ability to pay higher wages and benefits, in turn, is linked to their ability to raise additional non-AFDC-FC funding from various other private and public sources.</p> <p>The skills and dedication of the childcare and social work staff are the most important factors in determining the quality of any group home program and its success in meeting the needs of the children. These qualities come at a price and at a time when such resources are diminishing.</p>

RAND Conclusions	SB 933 Workgroup Comments
<p><i>Group home program costs increase proportionally with size, but the cost of keeping extra capacity is small.</i></p>	<p>The RAND study quantified that increasing the actual occupancy of group home programs from 90% of licensed capacity to 100% would increase costs by only 1.83%. In addition to un-funded group home start-up costs, occupancy and related rate levels continue as issues needing attention.</p> <p>Group home operating costs are largely inelastic with regard to marginal changes in actual occupancy. With minor exceptions for items such as food and clothing, the overall costs of program operation are approximately the same, regardless of whether the program's average actual occupancy is 85%, 90%, or 95% of licensed capacity. Marginal changes in actual occupancy do not result in changes in the level of childcare and social work staff, the primary driver of program costs. Many other costs are fixed, such those for shelter, utilities, and administration. In contrast, AFDC-FC revenues are directly tied to a program's actual occupancy. A 10% drop in a program's average actual occupancy may lead to a reduction of only 1.83% in its actual costs. However, it will also result in a full 10% reduction in its AFDC-FC revenues.</p> <p>The inelastic characteristic of group home program costs has profound implications for the costs of dealing with the overall shortage in group home capacity. One of the basic observations of the SB 933 Steering Committee is that it is extremely difficult for county social workers and probation officers to make optimal placements for many foster children who need the structure of a group home program.</p> <p>The current AFDC-FC rate-setting system implemented in 1990 was designed based on the assumption that group homes would operate with an average actual occupancy of 90% of their licensed capacity. Prior to 1990, the previous rate-setting system was based on the assumption that group homes would operate at an average actual occupancy of 85% of their licensed capacity. If the current system was redesigned simply to restore the pre-1990 85% actual occupancy standard, average group home costs would be reduced (according to the RAND study estimate) by less than 1%, but their AFDC-FC revenues would be reduced by over 5.5%. The implementation of an 85% average occupancy standard would require more than a 4.5% increase in the AFDC-FC payment rates to be revenue-neutral for group home providers.</p>

Reexamination of the Role of Group Care:
Status Report

RAND Conclusions	SB 933 Workgroup Comments
Cost and rate disparities run more deeply than occupancy or capacity readjustments could correct.	Concur; no comment.
Costs do vary somewhat by location, most likely because of differences in local labor markets.	Concur; no comment.

Matrix of CSU, Hayward, Urban Institute Recommendations and SB 933 Alternative Funding/Rates Workgroup Comments

CSU, Hayward, Urban Institute Recommendations	SB 933 Workgroup Comments
<p><i>1. The RCL system should be amended from 14 unspecified levels to at least 6 levels of specific care where service levels are thoroughly described.</i></p>	<p>The Recommendation does not address funding mechanisms and is premature.</p> <p>The contractor is recommending the use of the program models, which were described in the <i>June 2001, Reexamination Report</i> under the Group Care Program Recommendations, and which were modified by the Group Home Care Programs Workgroup. These program models were not intended to reflect different “levels of service,” with ascending order of intensity. Rather, they are intended to reflect different types of programs providing care and services for children with different needs. As discussed earlier in this report, the Group Care Programs Workgroup concluded that the program models must not be used for rate setting or licensing purposes before being tested. The intended focus of the funding study was to ensure funding levels matched service expectations—not to identify levels of care. Further, the contractor’s recommendations do not provide for specific funding mechanisms to support the levels of care proposed.</p>
<p><i>2. Funding of the articulated levels of care should be based upon a rate per child.</i></p>	<p>The recommendation is under-developed. It does not consider essential costs for other services such as mental health, education, and drug and alcohol that may impact or otherwise overlap with Title IV-E funded board and care.</p> <p>The recommendation would apply a base rate per child for AFDC-Foster Care payments, based on periodic studies of average costs for board and care. It is premature because it relies on further studies and other unknown factors that should be considered to ensure the recommendation is viable.</p>

CSU, Hayward, Urban Institute Recommendations	SB 933 Workgroup Comments
<p>3. <i>Group home financial reporting of state rate-based income and expenditures should be part of CPA annual audits based upon the fiscal year that report total program costs.</i></p>	<p>The Workgroup supports this recommendation. It acknowledges a valid across-the-board concern regarding the administrative burden created by having to complete these extensive reports at different times.</p> <p>The recommendation to align these reports would save time and administrative costs, and is included as part of the Department's implementation of federal Office of Management and Budget (OMB) Circular No. A-133 requirements.</p>
<p>4. <i>Group homes on each care level can negotiate for supplemental funding to their base rate for behavioral, mental, and physical health programming, or for service collaborations.</i></p>	<p>The recommendation is under-developed. It lacks sufficient funding information.</p> <p>The recommendation addresses types of services (health, mental health, substance abuse treatment, vocational training, etc.) that are not funded under the AFDC-Foster Care Program. However, it does not address how activities would be funded. It appears that the implementation of the recommendation would require the restructuring of the state funding mechanisms created for foster children placed in group homes.</p>
<p>5. <i>State (and county) funding should encourage expansion at care levels that are over 90% of capacity before critical shortages occur.</i></p>	<p>This recommendation is under-developed.</p> <p>More information is needed regarding how the state and counties can expand to solve resource shortages.</p>

Reexamination of the Role of Group Care:
Status Report

CSU, Hayward, Urban Institute Recommendations	SB 933 Workgroup Comments
<i>6. There should be county or regional planning committees to examine and plan for future group and foster home capacity and services.</i>	<p>The recommendation represents a valid statewide concern. Some counties are already actively involved in this process, but there is a need for expanding these efforts.</p> <p>The CDSS will continue to provide technical assistance regarding these efforts.</p>
<i>7. Counties need to explore using bundled funding and interagency administrations to pay for group home services.</i>	<p>The recommendation is under-developed.</p> <p>The recommendation identifies a need that was specified in the <i>June 2001, Reexamination Report</i>, but lacks a comprehensive plan to implement and effectively accomplish it.</p>
<i>8. Explore multi-year funding of base rates and service programs.</i>	<p>This recommendation is supported and is feasible.</p>

Summary of SB 933 Alternative Funding/Rates Workgroup Concerns

- Most of the contractor's recommendations were made under serious time constraints and warrant further evaluation. More detailed study must be done of the areas of actual financial support of out-of-home services and care prior to proposing alternatives to the existing system. This report represents a nice first step in understanding the challenges of funding such a complicated service mode. Given the substantial under-developed areas in the Report, implementing the recommendations prematurely could prove to be detrimental.
- The qualitative information is linked by a research methodology that utilizes "opinions," which limits the value. The findings do not adequately identify the sources of opinions or differences between the opinions of various groups who were queried. This limits useful analysis and an understanding of how and why various stakeholders think and feel the way they do about the current rate system.
- None of the recommendations address how the proposed system would be family-based to incorporate the family's role.
- The contractor's analysis does not contain a broad scope of essential cost data, in that it does not address all funding sources for other services attributable to mental health, education, drug and alcohol services, and private donations. The specifics of blending or integrating these funding sources, which compliment federal Title IV-E funded board and care, is essential to adequately assess group home care funding issues prior to recommending an alternative funding system.

Recommendations That Could Be Supported by the SB 933 Alternative Funding/Rates Workgroup

- **Explore multi-year funding.** Extend the program reapplication and review period to at least two years.
- **Group home financial report should be part of CPA annual audits based upon fiscal year.** Explore possibilities to align cost reporting with annual financial program audits.
- **Explore and develop further bundled funding.** This is a theme and effort that continues at both the State and local levels. It is no easy task, considering categorical funding requirements of the federal government and strict accounting and auditing requirements. Nevertheless, a worthy goal.

Next Steps

The SB 933 Alternative Funding/Rates Workgroup acknowledges the challenges of creating an alternative funding system to better serve children and families who enter California's foster care system and seeks to ensure that any proposal for a new system has been thoroughly evaluated. To achieve this goal, the Workgroup recommends:

- Convene a task force to determine the next course of action that should be pursued in the approach to exploring alternative funding, including coordinating with the CWS Stakeholders Group.
- Conduct an extensive review of cost data reports to evaluate the actual costs of providing care.

CONCLUSION

There is no doubt that developing a new system of care that matches needs and services, has more accountability, measures outcomes, and promotes more family and community involvement is a challenging goal that requires continued commitment from governmental agencies, communities, and other stakeholders. We have begun the process to administer and design a group care system to that will fulfill this vision. We continue this process and will converge the Reexamination of Group Care efforts with the CWS Stakeholders Group efforts, where appropriate, to achieve the long-term vision of an improved system of out-of-home care.

To implement effective strategies for change, resources and funding needs will continue to be a common thread that impacts the State's ability to effectively meet the demands of children in placement. However, maximizing what we have and bringing about a common understanding of the "best practice" to serve children and families in order to improve opportunities for permanency, including family reunification, should be the standard by which we operate.

We thank all who have participated for your continued dedication and commitment to achieve an improved system of care for California's children and families.

**Report to the Legislature on Status of Reexamination of
the Role of Group Care/Attached Alternative Funding
Study Report by Independent Evaluator Entitled,
“Funding California’s Group Homes: Services and
Homes for Children**

LEGISLATIVE MANDATE

Welfare and Institutions Code Section 11467.2 created by Assembly Bill 2786, Chapter 108, Statutes of 2000 (Polanco) required the California Department of Social Services to hire an independent evaluator to explore alternative funding mechanisms for children placed in group home care and to submit the contractor’s final report to the Legislature by October 1, 2001. This report is contained in the *Reexamination* Status Report as Attachment A.

Additional copies of this report can be obtained from:

California Department of Social Services
Child and Youth Permanency Branch
744 P Street, Mail Station 19-73
Sacramento, California 95814

Appendix A

Funding California's Group Homes: Services and Homes for the Children

Study of the Funding of Group Home Care in California and
Recommendations for Alternative Rate Settings

Submitted to:

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Foster Care Program Development Bureau
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Sacramento, CA. 95814

Submitted by:

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Finalized
February 2002

Executive Summary

California State Senate Bill 933 (Chapter 311, Statutes of 1998) mandates an examination of the group home care system with the goal of developing a plan for improving the organization and outcomes for children placed in group care. *Report to the Legislature, June 2001, Reexamination of the Role of Group Care in a Family-Based System of Care* outlines a number of problems in the system and makes a series of recommendations. One recommendation is to develop an alternative rate system that would promote positive group care practices and planned outcomes for each child placed in a group home. In accordance with Assembly Bill 2876 (Chapter 108, Statutes 2000), California Department of Social Services (CDSS) contracted with the Urban Institute at California State University (CSU), Hayward, to carry out the rates study. Additionally, the RAND Corporation conducted a supplemental cost analysis of group home program board and care costs to complement the qualitative nature of the study.

The goal of this study is to examine alternative funding mechanisms and formulate a proposed funding system for the care and supervision of children who are placed in group home care pursuant to Welfare and Institutions Code (WIC) Section 11467.2. CDSS provided The Urban Institute at CSU, Hayward, with consultations and meetings with a state-assembled Alternative Funding/Rate Study Workgroup representing the CDSS, California Department of Mental Health, County Social Services Administration, Group Home Association representatives, and providers. In collaboration with the Workgroup, a series of questions were developed to address alternative rate systems, as well as to explore management problems that could affect the success of any alternative funding models.

To successfully complete this study, it was necessary to conduct extensive interviews with state and county administrators and caseworkers, group home staff and administrators, and the associations, organizations, and committees that represent experts and other stakeholders involved with group home care. After interviewing CDSS staff and managers, we held focus groups with group home association representatives. In order to get the most representative sample of views statewide, we selected the nine counties with 75% of children placed in group homes and randomly selected seven of the remaining 49 counties. In each county we conducted focus groups with county DSS representatives, and then with at least two group home providers. We sent questionnaires to every group home in the state, and examined other state systems that were in the process of reforming or had reformed their group home system. Finally, for comparative purposes, we used two years of group home application data submitted to the state. The RAND Corporation took the same data and did a cost-reimbursement study of the current rate system. This report provides a series of recommendations for an alternative foster care rate system and the administrative practices needed to support it as mandated by the Legislature.

Findings

The focus groups and interviews further confirmed problems with the current rate system outlined in *Report to the Legislature, June 2001, Reexamination of the Role of Group Care in a Family-Based System of Care* and provided new insight into the perceptions and issues that an alternative system must address. Statewide respondents perceive the current foster care payment system as:

- *Not sufficiently funded.*
- *Not child centered.*
- *Not outcome driven.*
- *Inflexible with regard to program development and hiring staff.*
- *Too complicated and not well understood.*

There appear to be two unanswered questions with regard to the adequacy of funding: (1) Are the Title IV-E board and care costs adequately funded? And (2) Is the comprehensive cost of supporting children in group homes adequately funded? Under the current system of fragmented funding, each question refers to different agencies and funding sources. Furthermore, the problem is complicated by the fact that the adequacy or inadequacy of funding is more an outcome of the rate administration and the lack of comprehensive cost studies than it is a consequence of the rate formula. In which case, the problem is more complex than the current Rate Classification Level (RCL) and will not be adequately addressed by simply changing this rate system.

The CDSS provided cost data on group home board and care costs and reimbursement rates. While the data provided was un-audited, it was the most comprehensive data available due to the study's time limitations. We were unable to determine if the current reimbursement system is under-funded because the cost data now collected reflect neither the actual cost of either board and care (only what is reimbursable in accordance with state and federal law), nor are all non-state administered foster care reimbursements from county and federal programs reported. These are the majority of overall costs. We were able to determine that current reimbursements have nearly kept up with the cost of living over the past decade.

The RAND Corporation "Group Home Program Cost Analysis" found that costs were increasing, even controlling for program level (RCL); larger program costs were higher than smaller programs; and the number of programs run by a group home provider also increased costs. The study's time schedule limited RAND's focus to the most recent two calendar years (1998 and 1999) of completed data reported. The RAND findings were as follows:

Graphical analysis demonstrates:

- *Reimbursements for board and care in 1999 were insufficient for the majority of group homes, and even more group homes at the highest and lowest RCLs were unable to meet their costs.*
- *Administrative salaries and costs approach 20% of average final costs per child for programs in some RCLs.*

Econometric modeling and simulation show:

- *Programs with non-group home activities have higher board and care costs.*
- *Group home program costs increase proportionally with size, but the cost of keeping extra capacity is small.*
- *Cost and rate disparities run more deeply than occupancy or capacity readjustments could correct.*
- *Costs do vary somewhat by location, most likely because of differences in local labor markets.*

A number of issues raised proved beyond the scope of this analysis given scheduling constraints. With sufficient time and data, similar kinds of econometric models and simulations could be used to address the full spectrum of group home costs and reimbursements, rather than not just those for board and care. Further analysis would also explore the implications of the proposed alternative rate specification regimes for group homes in light of these additional costs, perhaps in conjunction with a model of group home program entry and exit. Simulations could then estimate group home costs for model programs, tally costs of revised extra capacity goals, and even forecast group home dynamics with the new rate structure.

Based upon our analyses, it is clear to us the central issue with the current foster care payment system is administration, not the RCL. The administration of foster group homes at the county and state levels has become so complex that it impedes timely services to homes providing for children and youth. If a new rate setting system were administered in the same way as the current one, improved outcomes would be unlikely. Practices that compromise the present and any alternative payment system are:

- *Approximately 25% of children are not placed in appropriate level of care because of lack of openings when and where they are needed.*
- *Small providers are closing their doors or merging with larger providers.*

- *Group home funding is fragmented, and funding agencies do not consider the collective burden of their overlapping and sometimes conflicting administrative requirements.*

Fifteen to 20% of group home program budgets are spent on administrative salaries and costs. The lack of administrative flexibility to address these problems can be traced to multiple and conflicting program regulations and reporting requirements coming from federal regulations.

In this study, we reviewed the alternative rate systems the legislative mandate identified. We reviewed alternative rate payment systems with regard to how well they would address systematically the problems listed above and which statewide respondents preferred. These alternative rate systems are:

1. *Cost-Based Rate – Providers are reimbursed by a method developed from cost-based data.*
2. *Client-Based Incremental Rate – Funding is determined by the individual needs of each child.*
3. *Managed Care – A specific amount is paid for each child for a defined period of time based on the child's needs.*
4. *Program-Type Specific Rates – A rate would be established for each program type.*
5. *Negotiated Rates – The payment would be negotiated with a program to provide all services identified by the county's needs assessment of the child and family.*

Like California, other states use variations of the above alternatives and levels of care. No other state system stood out as clearly superior. They are all funded and constrained by federal Title IV-E regulations. Each emphasized different aspects of the administration of foster care group homes and cost containment. Reforms in Washington State, Kentucky, and South Carolina to date have focused on improving assessment for proper placement of children in homes. There are experiments in rate payment and foster care programming in Ohio, Kansas, New York, and Tennessee that one day will be of interest in California. However, it is too early for results, and the other states we investigated have no more information or evidence of the effectiveness of their foster care payment rate system than does California.

Our statewide interviews were rich with suggestions for improving outcomes within a new rate reimbursement system.

Statewide Respondent Suggestions

- *Menu of Services – Placement social workers select from a menu of services that meet the child’s needs and then contracts with homes that can provide the specific services.*
- *Service Monitors – Independent monitoring would make certain that children in the foster care system have service plans and that the plans are followed.*
- *Licensing of Rates/Combining Audits – Community Care Licensing should provide a provisional assessment of each homes level of care as well as a license.*
- *Bundled Funding – Counties rather than homes should apply to all the various funding sources and bundle them for providers, reducing administrative and reporting costs.*
- *Multi-Year Funding – Spacing the program re-application and review period for at least two years.*
- *Interagency Administration – Organize an interagency foster and group home care division at the county or state level with representatives from all funding agencies.*

We selected an alternative system as mandated, based upon state data of rate-based expenses since 1990, statewide focus groups with CDSS staff, association leaders, county administrators, and group home providers, and a survey. We found that a **client or child-based incremental payment system** is preferred and, as such, addresses the vision goals in *Report to the Legislature June 2001, Reexamination of the Role of Group Care in a Family-Based System of Care*. Equally important to this recommendation are the administrative practices designed to support the alternative payment system. Our recommendations are the following:

Recommendations

Rate-Based

1. *The RCL system should be amended from 14 unspecified levels to at least 6 levels of specific care where service levels are thoroughly described.*
2. *Funding of the articulated levels of care should be based upon a rate per child, periodically reviewed and tested for reasonableness.*

3. *Group home financial reporting of state rate-based income and expenditures should be part of CPA annual audits based upon the fiscal year that report total program costs.*
4. *Group homes on each care level can negotiate for supplemental funding to their base rate for behavioral, mental, and physical health programming, or for service collaborations.*

The next set of recommendations are intended to make the alternative foster care system child centered, outcomes driven, and address the vital issue of capacity. These are important administrative practices that support the effectiveness of the alternative rate system.

5. *State (and county) funding should encourage expansion at care levels that are over 90% of capacity before critical shortages occur.*
6. *There should be county or regional planning committees to examine and plan for future group and foster home capacity and services.*

The final recommendations address issues that are related to the alternative foster care payment system, and if adopted would further improve its effectiveness as an incentive for more positive outcomes for children in the system.

7. *Counties need to explore using bundled funding and interagency administrations to pay for group home services.*
8. *Explore multi-year funding of base rates and service programs.*

Details are provided in the following report. In Chapter 1, we outline the mandate, purpose, goals, and method by which we executed the legislative research mandate. In Chapter 2, the current foster care rate payment system is outlined in concept and administration. This review is necessary in order to understand the system that the legislative mandates and *Reexamination Report* wish to replace or reform. Chapter 3 presents our findings from our statewide focus groups and interviews regarding the current foster care rate payment system. In this chapter, we also present respondents' perceptions as background for their expectations regarding the alternative system. The survey and state data covering ten years of group home records were used to better understand their perceptions. Chapter 4 provides the RAND Corporation "Group Home Program Cost Analysis." Chapter 5 looks at other state reforms and foster care rate payment systems as requested by the legislative mandate. Chapter 6 outlines the alternative systems in the context of essential administrative practices for each alternative system to be effective and to meet focus group

respondents' expectations for reform. Chapter 7 focuses on our selection of the **client-based rate payment** and proposes a particular administrative package to support them. In the final chapter, we provide a detailed explanation of each recommendation.

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RAND Supplemental Group Home Program Cost Analysis

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Special Thanks

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Chapter 1: Overview and Methods

Children and youth whose families are unable to provide for them are among the most vulnerable groups in American Society and they carry their vulnerabilities as well as their positive potential into family care foster and group homes. Like parents it is the responsibility of the foster care system to minimize problems, traumas, and crises these young people bring with them and to maximize their human potential to become independent and productive citizens.

However, the findings look grim on virtually every measure of well being and outcomes for children and youth who grow up as wards of the state. A recent national survey found that two and a half to four years after emancipation (Bernstein, 2000: 67):

- 46 % had not completed high school,
- 51 % were unemployed,
- 25 % had been homeless for at least one night in the prior year,
- 40 % had been on public assistance or were incarcerated.

A number of states have attempted to reform their group home care to improve these outcomes and to control expenses.

Mandate

California State Senate Bill 933 (Chapter 311, Statutes of 1998) mandates an examination of the role of group care in a family-based system of care with the goal of developing a plan for improving the organization and outcomes for children and youth placed in the state's system. The subsequent mandate from Assembly Bill 2876 (Chapter 108, Statutes of 2000) specifies the purpose for this study in the Welfare and Institutions Code 11467.2 as follows:

(a) The department shall contract with an independent evaluator to conduct a study of alternative funding mechanisms for group home care in California and to formulate a proposed funding system for the care and supervision of children who are placed in group home care. The independent evaluator shall consider and evaluate alternative funding mechanisms, including, but not limited to, cost-based rates, individual client needs-based rates, managed care rates, program type rates, and negotiated rates, and shall propose a specific mechanism and procedure, for children subject to Sections 300 or 602 who are placed in group homes. The study shall consider empirical research, current foster care program service needs, other state funding systems, and any other relevant data, including information obtained from the final report regarding the Reexamination of the Role of Group Care Within a Family Based System of Care, as mandated by Chapter 311 of the Statutes of 1998.

(b) The department shall convene a steering committee to provide direction for the study, which shall be comprised of appropriate state and county agencies, as well as group home providers, current or former foster youth, and other interested parties.

(c) The department shall provide a copy of the final report submitted pursuant to subdivision (a) to the appropriate fiscal and policy committees of the Legislature on or before October 1, 2001. Any proposal or recommendations submitted pursuant to this section shall not become effective unless enacted pursuant to statute.

(d) Pending completion of a new rate system, this section shall not be construed in any way to prohibit recognition through the budget process of the costs of operating under the current rate system or the consideration of rate adjustments.

Background can be found in *Report to the Legislature, June 2001, Reexamination of the Role of Group Care in a Family-Based System of Care* as specified by the legislation (referred to in the rest of this study as *The Report*). In *The Report* a number of needs in the group home care system are identified. An important need identified in this study is “a need to develop a payment system that provides flexibility, matches expectation and resources, and promotes individualized services, agency collaboration, and family involvement.” *The Report* makes the following recommendation as a supplement to the legislature’s mandate (p. 25):

Develop an alternative payment system that supports good foster care practices and the new vision for group care.

This study is in response to AB 2876 (Statutes of 2000) and concurrent recommendations in *The Report*. The objective stated above goes far beyond the issue of whether or not homes are sufficiently funded.

To find rate-based solutions to support “good foster care practices,” it was necessary to conduct extensive interviews of state and county administrators and caseworkers, group home staff and administrators, and the associations, organizations, and committees that represent experts and other stakeholders in running the group home care system. This study is statewide in scope and represents verbal input from multiple sources and experiences working within the group home care system in the State of California. This study’s results are as close as possible to a representative view of all the stakeholders in the system and as such increases the validity of the findings and recommendations that follow.

We should note that *The Report* reflects a consensus on the need for a more flexible structure of payments to group homes and that this might be accomplished through several alternative funding systems such as cost-based rates, client-based incremental rates, managed care rates, program-type specific rates, or negotiated rates.

There are additional payment systems used in other states. So it was also necessary to learn as much as possible about these alternative systems and the advantages and disadvantages that come with them.

There were a number of challenges in this study. First, there is a diversity of groups and interests spread across the State of California. Second, the funding, management, and organization of group home care are complex. Third, to increase validity, we had to collect as close to representative opinions as possible across this diversity of interests and participants. And fourth, there

were severe time constraints. After planning and completing contracts, there were five months to conduct the study. The interviews and data had to be analyzed, alternative or amended systems had to be studied, and drafts of this final report had to be written.

Alternative Funding/Rate Study Workgroup

The SB 933 Reexamination Steering Committee formed the Alternative Funding/Rate Study Workgroup to oversee/guide this study. The Workgroup consisted of representation from the California Department of Social Services, County Social Services administrators, Group Home Association representatives, Legislative Analyst Office, California Department of Mental Health, legislative staff and group home providers. As specified by the legislative mandate (WIC 11467.2), an outside contractor was retained to conduct this study. The Urban Institute at CSU, Hayward, was awarded the contract. The Urban Institute at CSU, Hayward, subcontracted with the RAND Corporation. The RAND Corporation conducted a “Group Home Program Cost Analysis” that is incorporated and discussed in Chapter 4 of this report. The Workgroup, Foster Care Program Development Bureau staff, and contractor held seven planning and progress review meetings from January to May 2001. In collaboration with the Workgroup formed by the Reexamination of the Role of Group Care Steering Committee, we developed a methodology for the execution of this legislative charge.

Study Goals

The Report (pp. 25-26) and the Alternative Funding/Rate Study Workgroup consistently articulated two objectives for an alternative rate-setting system as called for by legislative mandate. They were:

- Goal 1: The new rate system should be child centered. The central objective of any proposed change should be to put the welfare of children in-group home care at the center of organizational outcomes.
- Goal 2: There are a series of issues in the organization and management of group home care that are related to how the state funds group home care. The objective of the alternative rate system is to transform the system so that it “provides flexibility, matches expectations and resources, and promotes individualized services, agency collaboration, and family involvement” (*The Report*, p. 25).

We were asked to identify the rate-setting system(s) that would result in “good foster care practices and the new vision for group care.” The initial systems identified and defined in legislation and *The Report* (p. 26) were:

- *Cost-based rates:* “Providers would be reimbursed by a method developed from cost-based data.”
- *Individual client needs-based rates:* “Funding is determined by the individual needs of the child. The rate could be incrementally graduated by amounts reflecting the type of services to be provided to the child, regardless of the type of program.”
- *Managed care rates:* “A specific amount is paid for each child for a defined period of time. This can be a specified amount based on diagnostic-related groups or a specific amount.”
- *Program-type rates:* “A rate would be established for each program type. The rate could be adjusted in increments for layers of additional services the program might be expected to provide.”
- *Negotiated rates:* “The payment would be negotiated with a program to provide all services identified by the county’s needs assessment for the child and family.”

There are additional rate-setting systems used in other states that will be assessed as well.

Methods

Addressing the study goals above, we made one basic assumption in developing a methodology to determine how we would select an alternative funding system. The selection would have to be done through broad consultation and input from diverse staffs, administrators, and group home providers who provide care and services.

Two Approaches to Research

Quantitative: Ideally, quantitative research is where investigators use random samples of people of whom they wish to ask questions. They conduct one-on-one interviews and/or administer questionnaires, preferably using closed-ended questions. The results are presented as percentages. Public opinion and marketing polls are the most common quantitative research.

The strength of the quantitative approach is that through a random sample one can interview a small group of people and get from them the same range of opinions and thoughts one would get if everyone in that population were interviewed. This is a very powerful and economically efficient way to get a snapshot of the attitudes and feelings of large groups of people. The weakness of this approach is that one must have sufficient knowledge to formulate valid questions to ask respondents in order to elicit their opinions and evoke their

attitudes. To devise questions without sufficient knowledge would not produce accurate results nor would one learn why people hold whatever view or opinion they have.

There are no prior background studies of the opinions and attitudes of California group home care providers and state and county administrators about the foster care rate payment system. Therefore, neither the research team nor the rate setting workgroup had sufficient knowledge to rely completely on survey questions regarding rate payments.

Qualitative: Qualitative research is designed to gain background information, new knowledge, insight, and perspectives from people on topics that have not been explored before, such as one's disposition about foster care rate payment alternatives. In qualitative research a series of open-ended questions are asked of individuals and groups. It is essential to get the participant to outline their knowledge and perceptions, and to discuss their views and concerns. The point is to learn from them.

The strength of this approach is it places the investigators in position to acquire new knowledge about respondents and gain insight into why and how respondents hold the views they have. The weakness of this approach is that the results are generally not representative. Qualitative research is generally not based upon random selection of respondents, and therefore inference of findings beyond the people one interviewed is limited.

Use of A Mixed Method: The research goals for this study, stated above, require that both quantitative and qualitative methods be used together. This is called *mixed methodology* where investigators mix qualitative and quantitative techniques to gain the advantages of both approaches. The mixed method developed for the foster care rates study is the following:

Phase One: Interview-Focus Groups

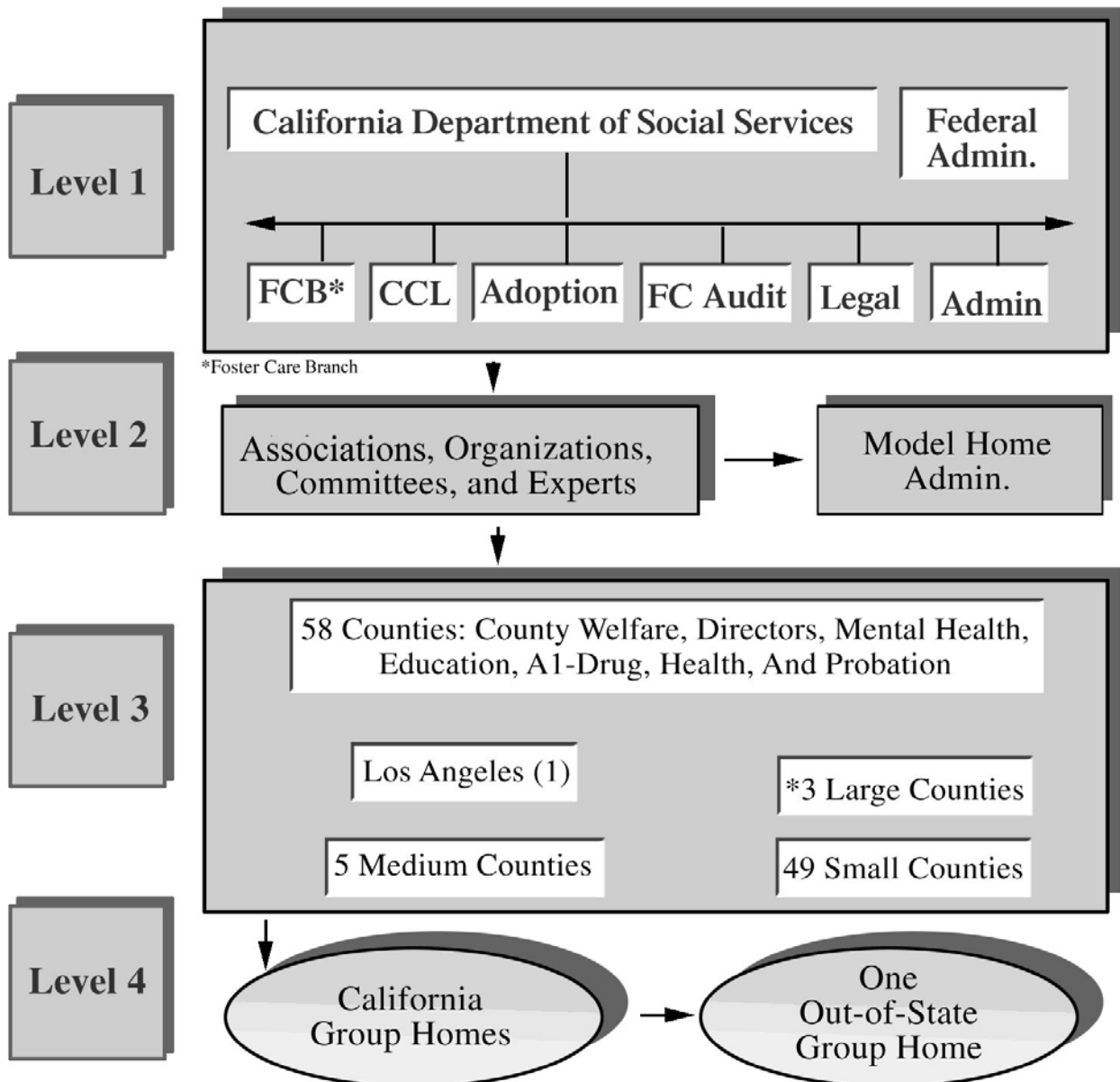
We interviewed state administrators and association representatives using a qualitative open-ended technique, i.e., a focus group. What we gained from these interviews were the views of state administrators and association representatives. We learned how the current foster care payment rates system works as well as state and association representatives' perceptions of its problems. We gained their perspectives on what they believed could be done to improve the system.

This study is complicated by the need to get near representative views from county level administrators and group home care providers without the guide of prior research on payment rates. There are 58 county administrations and hundreds of foster group homes in California. We would have to continue using focus groups and one-on-one interviews for consistency and comparability of

statewide responses with state and association persons. However, the selection of county and group home providers should be as systematic and random as possible. To do this, we **stratified** counties by the proportion of children they have in group home care. Los Angeles and the next eight most populated counties have close to four-fifths of all children in California group home care. For the 49 remaining mostly rural counties, we randomly selected seven additional counties to conduct interviews in.

In each county selected, we **clustered** the interviews by separating group home providers from county administrators and other county service providers. We interviewed group home providers separately. The end result is a method that used systematic (quantitative) selection to get respondents who were representative of county administrators and group home care providers. Yet the way in which we interviewed participants allowed them to express their views, and share their experiences with the current foster care payment system. The next page that follows provides an illustration of the overall research procedure.

Illustration 1.1
The Rates Study Procedure



At Level 1, the interview-focus groups cut across the State Department of Social Services' Audits, Rates, and Policy; Community Care Licensing; Adoptions; and Fiscal Administration. At Level 2, we held focus groups in Northern and Southern California as well as conducted telephone interviews for group home association representatives, organized by The California Alliance of Child and Family Services, Association of Community Services Agency, African American Foster Parent and Group Home Association, Association of Minority

Adolescents in Residential Care Homes, and Foster Care Alliance. At Level 3, we interviewed county staff from the Departments of Social Services in Los Angeles, and the three largest counties by number of children placed in group homes (Alameda, San Bernardino, and Orange). Focus groups were also conducted in the next five largest placement counties (San Diego, Sacramento, Riverside, Kern, and Santa Clara).

Additionally, we randomly selected 3 counties from the remaining 49. Two of these mostly rural counties did not have group homes; children placed in group homes from these counties were placed in neighboring counties. Therefore, we interviewed in three other replacement counties. The smaller counties represented were Napa, Fresno, Santa Barbara, Kings, Del Norte, Glenn, and Tuolumne. Finally, at Level 4, we interviewed the staff of at least two group homes in each of the nine urban and five rural counties.

The following table summarizes the conducted interviews and focus groups across all four levels. The focus group has 6-12 participants.

Illustration 1.2

Interviews and Focus Groups by Level		
	Actual	% by Telephone
State and Federal	18	28%
Assoc/Stakeholders	26	15%
County	15	20%
Group Home Providers	28	36%
Out of State	1	100%

Central Interview-Focus Group Questions: The following questions were devised and intended to gain the perspectives, insights, and knowledge of administrators and service providers in group home care:

1. *Briefly explain how the current funding system works for California group homes.*

In this first question, we wanted to determine how well the current system was understood and to what extent the state coordinators, county staff, and group home managers shared a common understanding of the current rate system.

2. *Please tell me what are the advantages and disadvantages of the current rate system?*

In order to know what specific problems an alternative rate system must address, it is necessary to know what are the advantages and disadvantages of

the current system, and to what extent people in different roles perceive common advantages and disadvantages.

3. *Would you like to amend the current system?*

People who work in the system and live with its problems day to day have often given considerable thought to how the current system can be amended. We wanted to learn about as many of these thoughts and suggestions as possible. With this accomplished, we could then compare suggestions from the “front-line” and see to what extent people at different places in the system have the same or different suggestions. We could also compare suggestions from the field with those offered in *The Report*.

4. *Would you like to replace the current rate system with a better one?*

People in different places in the group home system may favor wholesale change while others may feel that the current system can be fixed. If so, what do they offer as working alternatives and how different are their suggestions from those who favor a new system?

5. *Do you think funding incentives are necessary to improve the functioning of the group home care system?*

A recurring observation made during planning meetings was that there was a lack of incentives in the system to focus payments on the children in group home care and that many existing unintended incentives rewarded the wrong things. Whether one reformed or replaced the existing system would require comprehensive knowledge of the system of incentives in place to manage and fund group home care. Ultimately, the intent of our recommendations is to better realign incentives to produce better outcomes.

About Rate Administration: *It was very clear in the SB 933 Report that amending or replacing the current foster care payment rate system alone would not, in itself, improve the functioning of group home care in California.*

Regardless of the rate system in place there are fundamental management and organizational issues that have to be addressed as well. Here again, the question is to what extent do people in different roles in the system perceive the same or different problems in rate management? This information is essential to the development of an alternative rate system as well as to how the new system should be managed and organized.

6. *What are the five most important problems to be solved in the organization and management of group homes?*

Finally, we took the known alternative rate systems (cost-based rates, client-based incremental rates, managed care rates, program-type specific rates, or

negotiated rates) and created narratives outlining the basic working assumptions for four of the five. Respondents in focus groups and interviews indicated to us which alternative they favored or did not favor from the narratives. In taking these steps we drew on the experience and judgment of all the people we interviewed to indicate to us what rate system or amendments they preferred. We asked respondents if they agreed, disagreed, or were undecided to the following assumptions about alternative rate systems:

Cost-Based Rates

Two assumptions were given. “There are basic uniform costs that are roughly the same (food, shelter, and clothing).” Then, “even for children at the same level of care, there are differences in costs that must be considered.”

Individual Client Needs-Based and Program-Type Specific Rates:

“The best outcomes for children in group homes will happen if agencies are paid according to the needs of the child in placement or agencies are paid according to the number and training of their staff.”

Negotiated Rates

There were two assumptions given with this option. “Within each level of care or service, facilities should be able to negotiate their own rate.” Consequently, “the state can use a standardized form for facilities to apply their own rates, and then review, approve, disapprove, or negotiate a final rate.”

Phase 2: Survey

In this study of group home care payment rate preferences we also mailed questionnaires to every group home in California based on information provided by CDSS. We asked specific cost, revenue, and funding questions that could not be asked in interview-focus groups. We also asked respondents' views regarding rate management. In the mixed method, there is a very close relationship between the interview-focus groups and the survey. This process yielded the following results:

The survey responses helped us identify the preference of respondent's for a foster care payment rate system, while the interview-focus groups provided the potential explanations and reasoning of respondents for their preferences.

We mailed survey questionnaires to 1,498 group home facilities. One hundred seventy-seven (11.8%) were returned due to wrong addresses, the facility relocating, or no longer in business.

Illustration 1.3 – Survey Response Profile	
Total Number of Surveys Sent	1498
Returned: Incorrect addresses or Out of Business	181
Actual Number of Homes Surveyed	1317
Surveys Completed by Single Facilities	98
Surveys Completed by Programs with Multiple Facilities	84
Number of Facilities Covered by All Surveys	233
Facilities Response Rate Based on Homes in Business (233/1317)	17.69%

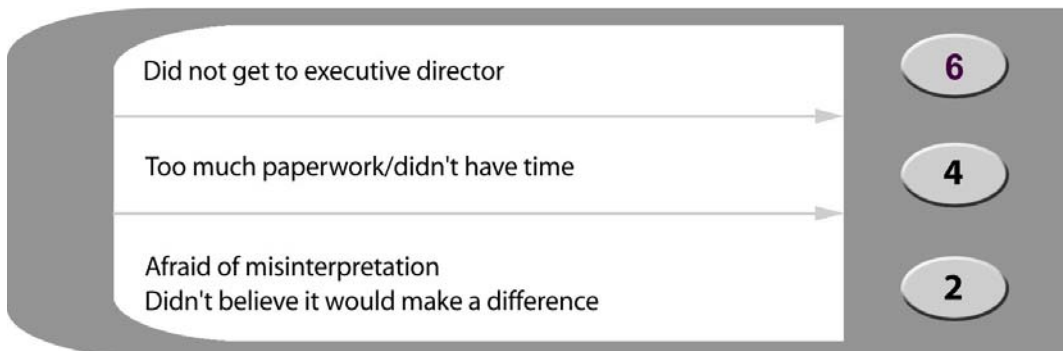
Our intent was to survey individual facilities as we did in 98 cases, but we received forms back from group home programs (84) with multiple facilities where all the facilities were aggregated. A count of all the facilities reflected in the survey was 233.

Our follow-up telephone calls to individual group homes and return calls to us from agencies provided important information. Many group homes are not administered as stand-alone facilities. Program administrators called to tell us that they were receiving questionnaires from each facility in their program. The numbers ranged from 2 to 20 facilities per program. In such cases, our unit of analysis shifted from individual homes to home agencies or programs.

As a result of the low return rate, twelve group home programs, which did not return surveys, were randomly selected and interviewed over the telephone. The executive directors who were interviewed gave one of the following three responses as to why they did not complete the survey.

Illustration 1.4

Surveys Not Returned



Despite the low return rate, the survey can be used as an approximation of opinions among group home providers. Verification of this point is evident in two very important measures. Every group home is assigned a payment level, called the Rate Classification Level (RCL). Based upon state data for all group homes, the average RCL for the year 2000 was 10.09. The average RCL of survey respondents was 10.86, a statistically insignificant difference. This means that the survey and actual RCLs are indistinguishable and the survey RCL is representative of the actual RCL.

Illustration 1.5 Survey Validity and Bias Annual Means for Year 2000					
	RCL	Prog. Cap.	Housing	Utilities	% Multi-Site
State Data	9.86	22.3	\$ 45,924	\$21,844	72.5
Survey	10.86	24.1	\$155,949	\$72,192	83.7

The average of license capacity (the number of children per home) was also very close to the average number of beds available reported in the survey. Where the survey and the state data differ is in average costs. The survey reports much higher annual average rent and utility costs. This was a consistent finding across all of the reported survey costs than did the state data.

A comparison of state data program sizes with that of the survey indicates that larger group homes were more likely to have responded to the survey than smaller homes. A larger program is defined as a program with multi-sites, while a smaller program is more likely to be a single site. This is consistent with our follow-up of non-respondents. Therefore, while the survey can be used to represent provider opinions, we must keep in mind that survey responses are clearly biased toward larger group home providers.

Phase 3: State Data

The data used to compute the survey results were the SR1-4 records of all California group homes. The SR1-4 records are submitted to the CDSS, Foster Care Rates Bureau annually by group home providers to receive a rate for the next fiscal year. These forms report revenues and itemized expense reports and are necessary to determine the homes' reimbursement rating level and continued state support. The data contained on these forms is unaudited. We received ten years of SR1-4 forms provided on computer disks in EXCEL format from the California Department of Social Services. The files were converted to Statistical Package for the Social Sciences (SPSS), version 10, and to SYSTAT files, version 9, for analysis.

Timetable

January and February of 2001 were devoted to planning the research, getting the University human subject's committee approval, hiring and training interviewers, and developing the questions for both the survey and interviews. The months of March through May were devoted to conducting the interviews at all four levels and to executing the survey. The weeks from May 30th through September were devoted to analyzing the focus group transcripts, the state and questionnaire data, preparing the final report, and for RAND to do supplemental analysis.

In the following chapter, we explain how the current rate system works in detail from the standpoint of fiscal management. This description is necessary because it shows the complexity of the existing foster care payment system administered by the CDSS. This background is essential in understanding the need for systemic change. Such a description sets a benchmark for a discussion on the necessity of a more flexible and effective alternative. The current foster care payment rate system is the starting point for the call for change in *The Report* and legislative mandate. Yet it remains only one of many funding systems and supports to the group home industry that is responsible for meeting children's safety, physical, and mental health needs while in out-of-home placement.

Chapter 2: The Current State System to Fund Group Homes in California

There would not be a legislative mandate for an alternative rate system if the current foster care payment rate system were considered flexible and child centered. *The Report* provides some details on what the steering committee would prefer. “The system should allow flexibility and the blending of funding from multiple sources to meet individual child circumstances” (Report to Legislature, p. 25). In addition, *The Report* provides a series of principles or goals that an alternative system should meet (Report to Legislature, p. 25-26).

In this chapter, the current foster care payment rate system and its organization are outlined as an administrative and fiscal system. This assessment is necessary in order to know precisely how the administration of the current system works, and what should be improved.

Rate Classification Levels

Group homes in California are funded based on a system utilizing “Rate Classification Levels” (RCL 1 –14). This rate structure was established in 1990 and is built on points granted by group homes programs based on the experience, education, and professional level of individuals providing service. The more hours of service provided and education and experience of staff, the higher are the weightings and RCL. The prior rate payment system did not fully take education, training, and experience into account when calculating a rate, and nor it did not result in salaries differentiated well enough to hire staff with specialized training, to reward years of experience, or to encourage retention of effective staff.

What Providers Must Do Annually to Get a Rate

Each group home must submit a Group Home Program Rate Application to the CDSS-Foster Care Rate Bureau on an annual basis. The application consists of the SR-1 form, which is primarily a cover sheet for directors’ names, addresses, and certification. Each group home must also complete a Program Classification Report (SR-2) which focuses on points generated in three service categories: childcare and supervision, social work activities, and mental health activities. A very important consideration is the number of hours staff in each category spends with children in their care. Each category has a worksheet where each staff’s education and experience weightings are multiplied by the hours they spend with the home’s children. The hours credited toward points are limited to “paid-awake hours” and there is a 54-hour per week cap.

Providers must also complete a Cost Report (SR-3) with nine cost categories: childcare and supervision based on the payroll staff; social work activities; food; shelter costs (mortgage, lease, rent, and taxes); building and equipment

maintenance, supplies, and payroll; utility; vehicle and transportation; child-related expenses (clothing, incidentals, school, school supplies, and planned activities); and major salaries (executive and assistant director, and administrative salaries, administrative and annual financial audit costs). In addition, there is the Payroll and Fringe Benefit Report (SR-4) where programs report their payroll, FICA employer tax, unemployment coverage, workers' compensation, medical insurance, and retirement. Then there is the Days of Care Schedule (SR-5) that focuses on capacity by the numbers of days they offered care—number of clients at the beginning of the month, admissions, discharges, actual number of client days, and licensed capacity.

The actual dollar amount per RCL is determined by statute and set up to be revised periodically to reflect changes in inflation subject to availability of funds. The current rate was developed using expenses for the 1985 calendar year that were updated and adjusted from 1988/89 and 1990/91 based upon the percentage change in the California Necessities Index (CNI). Rate increases were provided in 1998 (6%), 1999-2000 (two CNIs of 2.36%), 2000 (10% wage pass-through), and 2000-01 (2.96%).

The annual rate application package must be prepared by the first of May of each year. Completing and filing SR 2, 3, 4, & 5 forms requires a good understanding of the state regulations, which determine reasonable and allowable costs. Many group homes have hired a group home consultant to prepare these forms. In addition, many group home accounting systems are not set up to report information as required in the SR forms and the SR forms are based upon the calendar year rather than fiscal year. This requires group homes to create a "conversion worksheet" to facilitate the reporting regulatory requirements. Large group home providers (e.g. 70 plus beds at the RCL 14) have accounting staffs up to 7 people to meet regulated reporting by various agencies—Non Public Schools, Mental Health Clinics, Foster Family Agencies, adoption, etc. They have purchased special software to complete the RCL forms and handle their own SR filings with the state.

State Processing

On initial filing for a new group home, the CDSS-Foster Care Rates Bureau reviews the initial rate application forms and determines the appropriate RCL level. At that time, the Bureau determines a "sharing ratio" that breaks the rate down between "federal" and "nonfederal" components. This is determined from aggregate cost information reported by other providers at the same RCL. This sharing ratio impacts the amount of money that is funded by federal Title IV-E monies. Once the "sharing ratio" is determined, the Bureau issues a "Rate Letter" and sends it to the group home and the county office in which the home is located.

Annually, all group home programs are required to submit an annual rate application. Applications are reviewed for completeness and accuracy of the group home data provided. In addition, the “sharing ratio” between federal and nonfederal percentages is reviewed and revised based on updated SR forms.

In addition, as a result of SB 933, group homes are currently required to have an annual financial audit done by an outside CPA firm as a part of their annual application. These financial audits must be conducted in accordance with Government Audit Standards. The Rates Bureau receives these annual reports and immediately sends them to the Financial Audits and Investigations Bureau for review and follow-up, as necessary.

CDSS Administration

Community Care Licensing Division initially makes certain that the physical facility of group homes are safe and secure and that there is adequate food and staff to care for children and youth who are placed. Homes are licensed for specific numbers of residents and inspection is ongoing after licensure. Any violations must be corrected to maintain licensure.

Foster Care Rates Bureau staff offers rate-setting technical assistance to group home providers and county placing agencies; processes annual rate applications, program changes, and applications for rates from new providers; reviews corrective actions submitted by providers as a result of failed audits; processes provider protests and appeals of rate-setting decisions; and participates in new provider orientations with community care licensing district offices.

Foster Care Financial Audits and Investigations Bureau was established in 1999 in response to SB 933. This Bureau conducts fiscal audits, fraud examinations, and follows-up on allegations of fiscal abuse. They receive and review the audited financial statements of group homes conducted by CPAs. They use a 10-point risk model to assess a group home’s fiscal risk, looking at factors such as, solvency, significant related party transactions (i.e., where staff are family members), accrued payroll taxes and other questionable accounting transactions. Based on their risk assessment, they may initiate any one of the following actions: call the group home to offer technical assistance; send a letter requesting more information; send a letter asking for a “Financial Plan of Action” which isolates deficiencies noted by the Bureau; or commence an audit. In some cases, the Bureau may conduct a field examination to investigate significant fiscal problems to ensure the health and safety of the foster care children entrusted in the provider’s care.

Program Audits Bureau conducts two types of audits of individual programs covered under the rate classification level (RCL) rate structure: 1) provisional audits of new programs, programs with RCL increases, and programs with

major changes; and 2) non-provisional rate compliance program audits of existing programs. In August of 1999, SB 933 mandated that for all group home programs granted a provisional rate, the rate must be confirmed by audit within 13 months of the effective date of the rate or first placements, whichever is later. Under statute, the CDSS-Program Audits Bureau is required to gather evidence to substantiate information submitted on the SR-2 form that establishes the RCL of each program offered by a group home. Each item on the SR-2 must be substantiated, i.e., the qualifications of each employee, number of hours worked and paid, educational degrees, and level of experience. Their information must be documented, maintained for five years, and made available for audit.

The CDSS Program Audits Bureau uses a blank SR-2 that the group home is requested to complete for a specified audited period. Procedures for the performance of these audits are very specific and require that program auditors substantiate 100% of the data supporting the rate including employee files, time records and payroll, educational degrees, proof of experience, contracts, training records, etc., for the entire audit period. For provisional rate audits, the audit period is two months, while non-provisional rate audits can be three to twelve months. Program auditors are not looking at specific "dollar amounts," but instead are looking at information included on the SR-2 that is used to project the number of points on which program RCL is based.

Once a program audit is completed, the Bureau writes a very detailed report. Each report highlights the nature of the audit that includes the scope, criteria, and methodology; the specific findings noted during the audit; and, where necessary, a recommendation for change in the RCL. In the case of non-provisional rate audits where documentation does not support the paid rate, an overpayment is calculated and explained and there is a request for repayment of the overpayment. For provisional rate audits, there is no overpayment. If the documentation does not support the paid rate, the provider is noticed that the RCL will be reduced to the audited RCL. The report also explains the provider's appeal rights. The program auditor conducts an exit interview with the group home and explains the details of their findings. If the group home disagrees with the Bureau's findings, they have a right to administrative appeals.

During the fiscal year 1999-2000, 84 audits were completed; 58 were provisional rate audits and 16 were program audits. Approximately 60% of the existing programs passed their audit and 40% failed. Eighty percent of the provisional providers passed their audits and 20% failed.

Financial Services Bureau reviews monthly claims filed by each county (who have made monthly RCL payments to group homes) and authorizes reimbursement to each county based on federal and state statutes. Financial Services Bureau reviews the accuracy of county claims submitted, and summarized on EXCEL spreadsheets along with many other county programs, which are partially funded by the state. Monthly, claim schedules are prepared by the CDSS Financial Services Bureau and submitted to the State Controller's office. Warrants are then issued to each county for specified reimbursement. Separately, a claim is also submitted to the federal government for reimbursement under Title IV-E at a rate of 51.25% (subject to changes by federal law) for federally eligible children.

County Processing

The state does not place children in group homes. The counties do. In each county, an eligibility worker reviews the application of each child needing placement. The review is primarily to determine whether or not the child is eligible for federal funding based upon Federal Title IV-E guidelines. If the child's family qualifies (based on federal eligibility), the state is reimbursed for the costs of board and care for the federally eligible child for up to 51.25% of their board and care expenses. The county and state fund the remaining 49.75% of which the county pays 60% and the State 40%. If the child is not federally eligible, the state and county share in the entire cost of placement. Allowable costs under this program are governed by the federal Office of Management and Budget general accounting guidelines.

Once the child is entered into the system and qualifies for payment under either the federal or non-federal programs, the county makes monthly payments to the group home provider caring for the child. Separate checks are prepared for *each* child. Monthly payments are computer generated and continue automatically until changes occur in the child's status.

Monthly, each county requests reimbursement from the state under federal and non-federally funded programs. Each county summarizes the individual payments made on behalf of each child that are sent to group homes. This process is done by filling out state form, CA800FC. A separate CA800FC is completed for each foster care funding source (the federally funded Title IV-E program and the non-federally funded program).

Placement

A social worker assesses the child's needs based upon their prior behavior, emotional state, and whether or not they have special needs. The county staff person in charge of placements then identifies a group home and places the child. The county computer payment/payroll system is then updated to identify the child and at what RCL they are placed in order to make payments to the

group home. Every six months, client's cases are reviewed and occasionally changes are made based upon court hearings, social worker comments, and group home reports. These changes might include relocation of a child to another home at the same or a different RCL. We should point out that there are slight variations in placements originating from Probation and Mental Health departments.

In our interviews and focus groups administered at four levels, we asked respondents how does the system described above work and what were the advantages and disadvantages of it? Any alternative would have to maximize advantages and minimize disadvantages. The next chapter provides their reactions.

Chapter 3: Issues Related to Operation of the Current Rate System

Our central mission in conducting this study was to identify and recommend an alternative payment rate system or to recommend ways to amend the current one. After a review of Chapter 2, one might ask why does the current rate system need to be changed or amended?

What is not apparent from Chapter 2 is the outcome of the rate system. What is reasonable in theory can look quite different in application. This is of course a classical problem in the management of complex organizations. There is always some distance and tension between the procedures put in place by managers to achieve a certain goal and what actually happens.

Main Questions

In the interview-focus groups, we asked the same series of questions to all four levels of group home administration and service—state administrators, county directors and social workers, association representatives and interested parties, and the group home providers. In this chapter, we report eight central issues that emerged from the interview-focus groups and for four of these issues we were able to also use the survey and state data for verification. There were two particular questions we used to identify problematic outcomes in the administration of the current foster care payment system. They were:

- *Can you briefly explain how the current funding system works for California Group Homes?*
- *Can you please tell me what are the advantages and disadvantages of the current rate system?*

Problems Related to Current Rate Setting

We expected reactions from each level to differ and to have to reconcile them. However, to our surprise there were a series of core issues related to group home rates and the administration of the rate system that all four levels (state, association, county, and providers) articulated. Where the levels differ are the extents to which they view each issue as a serious problem and to what and whom they attribute cause.

Two things were striking in the interview-focus group transcripts. The first was how strongly people at each level felt about the issues. Emotionally latent, these concerns have been developing for some time. Second, each group felt a strong sense of isolation regarding to their sense of the issues. The state administrators felt that they were aware of the day-to-day problems of group home management but were constrained by federal Title IV-E regulations.

County level administrators felt that they knew the group homes, the programs, and providers in their county but the people at the state level did not. County level administrators and service providers also felt they play only accounting roles in defining rates or state funding for their homes. Some county and group home providers reported that they could not see the relationship between effective and ineffective homes and RCL rates and funding. They knew of homes with low RCLs and funding that did excellent work with children who had behavioral problems, while some higher rated and funded homes were not nearly as successful with similar children.

Smaller home providers tended to be most vocal, but many large group home providers also saw themselves as embattled. They reported that children in foster care had increasingly complex, serious, and often undisclosed problems; at the same time, providers had to meet the increasing administrative requirements of the funding system. They felt that neither the state nor the county administrators really appreciated the administrative burden placed upon them or that the RCL system captured the full cost of running a home.

Selection of Issues: Whenever the same point regarding the RCL and its administration was repeated independently in at least four focus groups in different counties, we noted them. If there appeared to be a consensus in each group on the point, it was presented in this chapter. Measuring consensus in focus groups is not difficult. If the point was made in the group, and others agreed and added their experiences and views, this indicated a consensus. Given the systematic way that we selected focus group participants, these findings are not simply the views of a few individuals. They are views that are likely to be held by many others in the foster care system, especially in larger homes.

Major Perceptions

These are participants' perceptions and they may or may not be accurate. But accurate or not, these perceptions impact expectations and behaviors regarding the existing foster care payment system and reflect on how providers and administrators alike might respond to an alternative system.

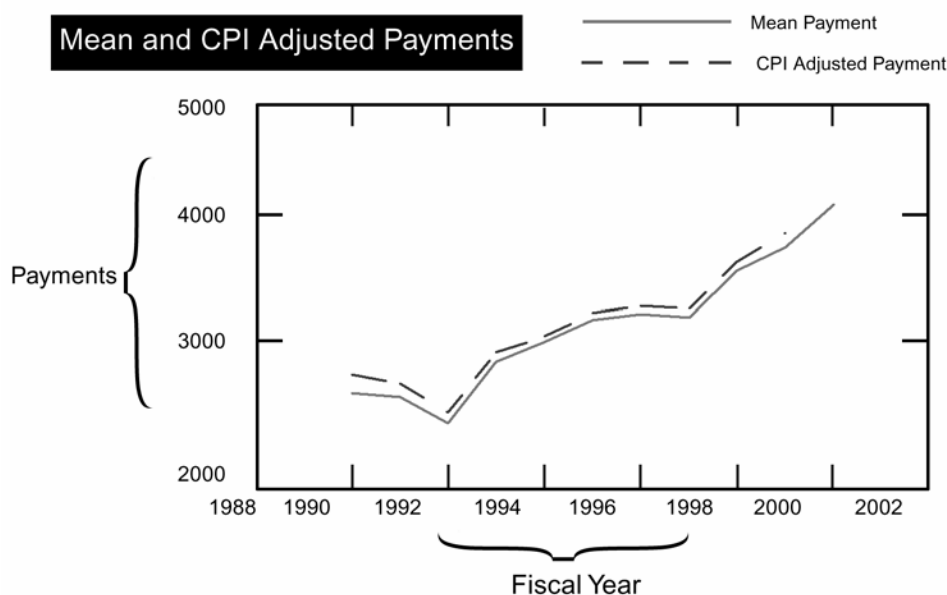
1. The current rate reimbursement is not sufficiently funded.

There have been no cost studies of foster homes in California to estimate whether current funding levels are sufficient. Some state officials argue that the current foster care payment system maybe sufficiently funded if one considers that it is mandated to support only board and care. The rates have received modest increases in state and county funding over the past four years—two 2.36% CNI increases in 1999-2000, a 10% wage and benefits increase in 2000, and a 2.96% increase in 2000-01. The sense that board and care rates are sufficient is in sharp contrast to the opinions of other country staff and providers.

During a major state fiscal crisis in 1993, most of the burden of funding group homes shifted from the state to the counties who were no better prepared to take on the additional costs or to increase funding in subsequent years to account for the rising costs of living.

It should be pointed out that the current rate-setting system was set up to be adjusted for increased living costs. In the following illustration, the solid line shows average funding levels over the ten years the rate setting system has been used. The dotted line shows the average rate if it had been adjusted annually using the statewide California Consumer Price Index (CPI).

Illustration 3.1



When the current rates and the CPI adjusted rates are compared the current rate is only \$50 to \$200 per year less. This modest difference is consistent across all 14 levels. So if the rates had been adjusted for the rising cost of living, reimbursements would not be very different than they are now. In which case, the CPI adjusted rate would not have made much difference and the sense of under-funding is more complex than anticipated.

The next statewide consensus problem articulated in the focus groups does suggest a direct flaw in the RCL formula that calls for change.

2. The current rate system is not child centered.

The current rate system focuses exclusively on the staffing needed for progressively intensive services in increasingly restrictive environments. The highest levels, 13 and 14, are the most restrictive and staff-intensive. It is for youth who have been assessed as seriously emotionally disturbed and have

substantial impairments in various everyday functioning, such as school, self-care, and family relationships (W&I Sections 4096 and 5600.3). RCLs 1-12 assume that the more educated and experienced the staff, the more skilled and intense the services a home can provide. The rate system is staff centered and assumes that if staff is the focus of program administration, the children will be cared for properly. If this assumption is correct, the number of children served and the hours staff spend with them are appropriate measures of services rendered. Focus group participants reported that programs have successfully secured appropriate staff and increased their RCL but, in fact, have not necessarily delivered more effective services to the children in their care.

Furthermore, respondents at every county level interviewed spoke of their frustration in being able to know what outcomes should be expected for children based upon the program RCL, except at levels 13 and 14. There seems to be no correlation between outcomes for children, the number of services offered, and the RCL. In particular, they observed that programs with high RCLs sometimes ended up with children who had the same set of problems as children in lower RCLs and appeared to be no more successful in resolving the children's problems. This repeated observation suggests that the current rate-setting system might not be tracking and rewarding the most important factors that go into effective group home programming. Almost half of survey respondents, representing primarily multi-home programs, favored a more child-centered funding system.

Illustration 3.2		
Survey Opinion Regarding Payment System Focus		
Which of these two statements would best be used to evaluate funding outcomes?	Number of Facilities	Percentage
Children's needs must always come first in any and all funding decisions	95	47.30%
We can care for children better if we take care of the financial needs of caregivers/staff first	75	37.30%
Both items checked	31	15.40%
Total	201	100.00%
Missing	29	

The opinions expressed were not either/or propositions—children focus vs. staff focus. Respondents clearly believe (47.3%) that whatever is the focus of funding, children's needs should be central. This perception expressed independently in focus groups all over the state supports the same point in *The Report* (p. 17). Furthermore, county officials and group home providers in the focus groups believe there is a very specific way the current system is “not child centered.” That is: service outcomes for children are not taken into account in the RCL. The current rate setting system—while it attempts to provide positive results to children in out-of-home care by rewarding programs for hiring staff with more experience, education, and training—had other unintended results.

Perhaps we want people with life skills, too. The issue of outcomes is the third point made in the statewide focus groups.

3. The funding system is not outcomes driven.

Respondents at all four levels spoke of the need to become more child centered in the administration of group homes. There was general agreement to this point, but there was no multi-level consensus on how outcomes for children could be defined and measured. Note in Chapter 2, where the rate system is outlined, there are no provisions in managing the RCL for considering any actual service outcomes. None of the SR forms ask whether children's needs were or were not met, nor are any outcome documents reviewed. Only licensing comes close, but their evaluation criteria are primarily focused on facilities and making certain that children's health and safety needs are fulfilled. A preliminary review of the forms and accounting requirements for other funding streams to group homes suggests that California's group home rate-setting system is not alone. They are not outcomes driven either.

Without a focus on outcomes, children in group homes with emotional, behavioral, or educational problems do not have to improve, and if they do, the improvement is not noted by the state for funding. Furthermore, by not being outcomes driven, there can be no provisions for recognizing and dealing with the cultural needs of children in group homes. Successful behavioral and emotional outcomes require the development of healthy social identities, knowledge of family, community, and history. This is all cultural. In the current system, there are no fiscal provisions for any needs beyond board and care.

4. The rate setting system is inflexible with regard to program development and hiring staff.

Providers in the statewide focus groups felt constrained by the current rate setting system from developing programs for the children and youth in their care. Furthermore, it is not clear to providers what group home activities they can get funded for beyond supervision, housing, food, and clothes. State officials pointed out that there are federal Title IV-E limits; the current rate-setting system is to only fund board and care. Furthermore, the state's rate-setting system imposes additional requirements on education and experience. But there are providers and county administrators who question the wisdom and adequacy of these real or imposed limits.

Again, the problem is not so much within the rate-setting system as it is in its management. There is nothing in the rate-setting regulations that say one can not hire someone without the reimbursable educational credentials and specialties. But if you do hire them and they are not reimbursable, there is an unintended penalty to the home for not maximizing reimbursable staff. The

home qualifies for less money for the time this staff person spends with the children. In which case, there are financial losses for hiring non-RCL reimbursable staff.

5. The funding system is too complicated and not well understood.

The rate-setting forms are not perceived as “user friendly” and require a good understanding of state regulations for reasonable and allowable costs. Despite the fact that the state (CDSS) Foster Care Rates Bureau provides technical assistance and training, many group homes hire consultants to prepare their forms. Based upon data reported to the state by group homes in 2000, homes paid on average \$3552.41 for consultants in fiscal year 2000; large agencies with multiple homes have professional accounting staff to complete these and other forms. In the focus groups, county staff and group home providers were able to describe the basic RCL system to us, but their lack of elaboration and need to ask each other for details suggested that they too would have difficulty properly completing the forms.

A common misconception among county staff and service providers alike is that each rate classification level represents a specific set of services intended to address progressively more difficult behavioral, medical, and mental health conditions. The system does this in principal by accumulating points for staff, skills, experience, and time with children. But each RCL level is not a specifically articulated service level. For example, even if two programs are classified at RCL 10, one program may treat male fire starters and the other may be designed for pregnant teens. These are two completely different programs designed for very different populations whose only commonality is that they are both paid at RCL 10. Consequently, there are no discrete explanations that one can use to compare one level to the other.

A consequence of this complexity and misunderstanding is that the assigning of RCL levels by the state appears arbitrary and is unpredictable for one’s own and for other programs, except at the highest levels. In the statewide focus groups, neither county staff nor group home providers could explain what a Level 5 program is suppose to do in comparison to a Level 8 or a Level 12 program. There is also a sense that the rate-setting system is part of an increasing burden of applications, audits, paper work, and administration that is particularly onerous on small homes. There is the perception that the burden furthermore leads to a tendency for small providers to fail. Often this is the case for providers with minority Boards of Directors. This is particularly troublesome when the numbers of minority children in group homes has gone up.

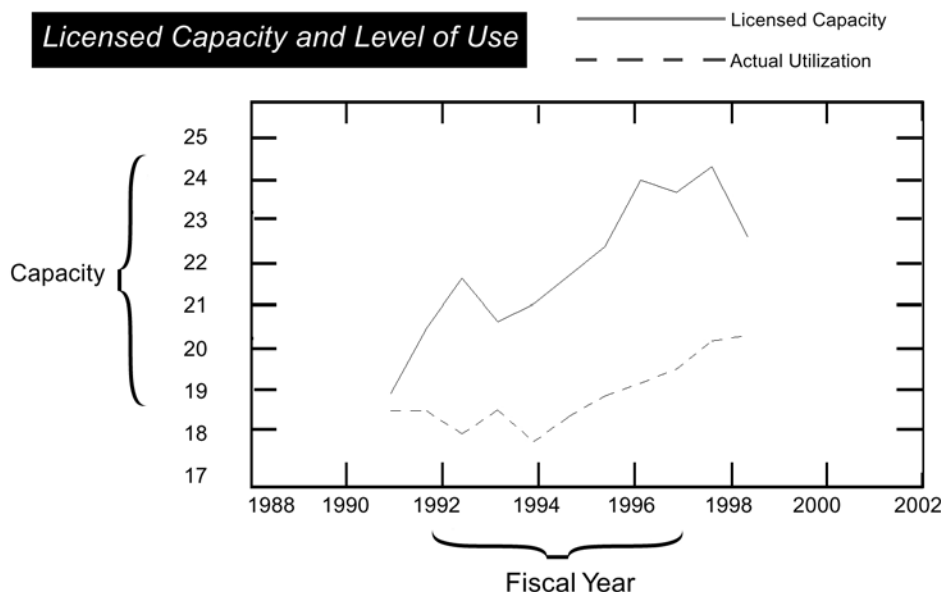
6. Some group homes are near capacity leading to children not being placed in an appropriate setting.

Statewide focus groups reported that some children were not properly placed because openings for them at an appropriate program did not exist in their county when they were needed. These respondents felt that it was better to place children almost anywhere than to have them remain in juvenile hall, on the streets, or in abusive situations. In some counties emergency shelters were set up for this purpose, but they were frequently over utilized.

There are consequences of occasionally lacking an appropriate opening for a child. Some who should be in a lower level home end up with higher-level children who have more intensive treatment and service needs. These children are then at risk of adapting their own set of skills and expectations to the norms of the resident peer group. Then the homes they are placed in have to justify providing a higher level of service to children who may not need them. Alternatively, children who should be in higher-level homes end up in lower-level ones, inadequately staffed for their supervision and service needs. Then, at best, staff is attempting to provide care and supervision to children and youth with very difficult needs. In addition, homes that have children who should be in higher rated facilities are not reimbursed for any extra care costs that are inappropriate for their program; this includes physical damage caused by more severely ill and inappropriately placed children.

In comparison, when one compares the average license capacity of group homes with their actual average placements in the last decade in the SR1-4 state data, the system at first glance does not appear at capacity.

Illustration 3.3



Group home occupancy and capacity is measured in beds. They run on average from two to three beds under licensed capacity over the past ten years or from 86.4% to 90.9% of licensed capacity. But if we compare actual

occupancy and licensed capacity by RCL in any one year, a different picture emerges. In table 3.4 actual occupancy during the year 2000 ran from 46.8% (RCL-1) up to over-capacity at 109.8% at RCL-5. In general, occupancy rates were slightly higher from RCL 8 and up.

Illustration 3.4 Mean Capacity and Actual Occupancy by RCL, Fiscal Year 2000							
RCL	Lic Cap	Occup	%	RCL	Lic Cap	Occup	%
1	6.0	2.8	46.8	8	13.9	12.9	92.8
2				9	11.6	10.4	89.2
3	9.6	6.1	63.8	10	17.4	14.6	83.9
4	35.2	24.5	69.4	11	18.6	15.8	84.7
5	29.7	32.9	109.8	12	39.7	36.8	92.7
6	15.2	11.0	72.4	13	22.0	17.3	78.6
7	15.8	14.3	90.2	14	29.6	28.8	97.1

Note that there was considerable lower occupancy at lower RCLs, but that the higher RCLs were very close to having no openings. Illustration 3.4 shows that what is at issue here is not overall system capacity but rather specific capacity *when and where it is needed*. If a child needs to be placed at a Level 8 and there are no level 8 openings in their county at that time, it makes no difference that there are simultaneously openings at RCL levels 5 or 12.

Furthermore, no service enterprise, public or private, reaches 100% capacity before it is unable to accommodate perspective clients or customers. When 90% of an airline's seats or a hotel's rooms are sold, there are flights and specific hotels already booked solid. A county-by-county review of occupancy by year and by RCL shows occasional RCL levels that are at and over average licensed capacity—state data verified focus group perception. But in the case of the foster care system "customers" cannot simply go to a competitor or wait for the next flight.

The issue of capacity is not a fiction made up by focus group participants all over the state. Even *The Report* states, "Too often, placements take place during crisis without comprehensive assessment that would determine the best course for the child" (p. 14). What is at issue here is the extent of the problem and the reasons for it. It would take another study of group homes to further measure the extent of the problem and its full causes.

Whatever is the case, some undetermined proportion of children are not appropriately placed and this sets into motion a series of unintended outcomes. One event reported to us in county focus groups is that some larger and well-connected group homes can pick and choose from children who are not

appropriately placed, taking less costly and less challenging children. In contrast, some smaller providers across several different counties stated that they felt intimidated by social workers to take children that they were not prepared to provide the needed services for and were not sufficiently reimbursed to be able to care for them.

Is there any way to measure the extent of inappropriate placements and the perceptions regarding the consequences of not taking a child? We asked survey respondents to tell us the number of children they accepted for placement. Then we asked them the number of these children who were properly rated, how many should have been rated lower or higher, and what they felt were the consequences of refusing referrals. Their responses are in Illustration 3.5.

Illustration 3.5 Average Number of Children by Assessed Placement by Single and Multiple Group Homes				
	Num. Children Placed	Num. Children at Right RCL	Num. Children at Higher RCL	Num. Children at Lower RCL
1 Group Home	28	21	15	0.68
2 or more G.H.	143	105	21	3.73
			P<.139	P<.001

Group home providers who responded to the survey estimate that about 75% of the children in their homes are placed in the appropriate program. Larger providers with two or more facilities and single providers report having almost the same average number of children (21 vs. 15) who they believe should be at a higher RCL. Since the smaller homes take fewer children overall, they receive proportionately more children who should be at a higher RCL and have to live with the programmatic and financial consequences—needing more services than the program is able to provide. Likewise, both types of facilities report having a small number of children who should be at a lower RCL. But the larger facilities have, on average, five times as many of these children as the smaller homes. This is certainly attributable to their larger size, but this still gives them five times whatever advantages are to be gained from children with fewer problems than they are prepared and paid to address.

This outcome had particularly negative effects for some small African American and Latino providers. They reported feeling that some placement workers were discriminatory in placement practices. Some placement workers overlook them and place African American and Latino children with White providers while they have empty beds. In turn, some African American and Latino providers at lower RCLs report they are often offered “the most violent and disruptive African

American and Latino children no other homes would take". There was no way for us to determine the validity of these reports. So we tried to determine to what extent could such forced placements be the case regardless of the race of providers. Among survey respondents 3.8% of single home providers reported they felt that if they refused any children the county or probation attempted to place with them, they may not receive any new placements from that officer; 2.8% of the larger homes reported the same concern. Fortunately, these are small percentages, but these experiences and perceptions even from a few providers clearly affected the disposition of minority and small home providers toward any future foster care system we propose.

Other Explanations: California foster care services do not have clearly articulated and statewide pre-placement assessment criteria. Children's needs are not rated to match the RCL. What child would best benefit from a Level 9 versus 10, or a Level 8 versus 7? So we can not determine to what extent survey respondents' perceptions of where children should be placed are true or false. Based on county focus groups, from county to county, children are assessed differently and by people with varied qualifications, skills, resources, and time to do an adequate job. Furthermore, problems of inadequate assessment and placement are exaggerated by, on average, 20% vacancies among county social workers in California (Assembly Human Services Committee Hearing, 2001).

Outcomes: Problems related to funding, capacity, and administration have direct impacts as outlined in the next three issues articulated in statewide focus groups.

7. *Group Home funding is fragmented, and funding agencies do not consider the collective burden of their overlapping and sometimes conflicting requirements.*

Providers must access funding for group homes from multiple sources to operate a group home program. Providers report that each funding source operates as if it is the only one, requiring separate applications, separate reporting, separate accounting, and separate audits. These sources include county general funds; Medicaid (Medi-Cal in California) for physical and mental health; and school district funds for private non-public schooling. There is also state re-alignment money, such as State Vehicle Taxes and the Federal Assistance Fund. By no means are these the only sources of funding. These are the only sources mentioned in our interviews.

The state rate-setting system is not responsible for this complexity. Each funding stream pays for some part of overall group home services based upon federal and state requirements associated with use of these funds. Lack of coordination among funding streams creates a nightmare for even large programs. Service providers have to maintain records for each part. So a

partial salary goes to one account; the rest of the salary goes to another. In addition, funding sources are not mutually exclusive and services can overlap. For example, is a behavioral problem a mental health need and paid for by Medi-Cal or is it an educational problem paid through school funds?

What happens when one source disallows a payment they may have allowed before? At any time an agency may judge that a request of payment is the responsibility of a second funding source, and the second funding source will claim that it is the responsibility of the first. Meanwhile, the service provider has uncovered costs that may never be paid. Under these circumstances, funding for services becomes unpredictable and a virtual landmine of potential liabilities. Small providers are disproportionately affected.

8. *Small providers are being forced out of business and/or to merge with large providers.*

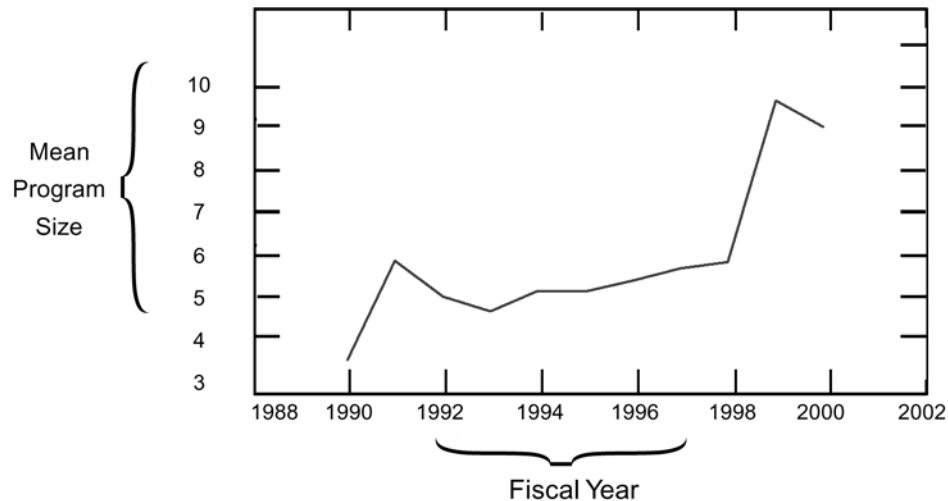
In many statewide county and provider focus groups there were consensus comments about smaller homes. Respondents believed that the number of small homes is declining, or that small homes are merging with large programs with lines of credit and with administrative structures that can do the required complex reporting and accounting. This is a perception that we can assess in the following illustration based upon state SR1-4 data.

Illustration 3.6						
Change in the Number of Group Homes by Program, 1990-2000						
Case Summaries						
	YEAR	Number of GH Programs	Min. Number Group Homes	Max. Number Group Homes	Mean Number Group Homes	
1	1990	373	.0	36	3.36	
2	1991	343	1	72	5.96	
3	1992	317	1	72	5.02	
4	1993	283	1	44	4.64	
5	1994	270	1	56	5.18	
6	1995	258	1	60	5.17	
7	1996	244	1	108	5.44	
8	1997	229	1	108	5.77	
9	1998	205	1	72	5.93	
10	1999	189	1	108	10.16	
11	2000	175	1	108	9.46	

The number of programs or agencies with one or more group home facilities in California has steadily declined since 1990. The largest provider in 1990 had 36 homes; by 2000 the largest provider had 108 homes. The average number of homes per program has gone from 3.36 in 1990 to 9.46 in fiscal year 2000. The following illustration provides a closer look at the increase in the average number of homes per program in the past decade.

Illustration 3.7

Average Number of Group Homes per Program, 1990-2000



There is yet a final implication of decline in smaller homes. African American and Latino children are now disproportionately represented among children in group homes. Sixty percent of children and youth in foster care group homes are ethnic minorities; 40% of these minorities are African Americans. There are no comparable counts of those who self identify as ethnic minority group home providers. If the smaller homes are disappearing, African American and Latino directors and staff might be disproportionately impacted. In which case, those who might be particularly effective in addressing the cultural and social identity needs of minority children are decreasing rather than increasing. If this trend exists and is left un-addressed, the foster home system has the potential of consisting of large providers and lack smaller homes as alternatives. Then the majority of the children in group homes will be of color, while the majority of the providers may very well be White in the most racially diverse state in the Union. The challenge posed by this scenario speaks to the necessity of finding out if this situation is developing and of having racially diverse staff.

The focus groups did provide insight into the connection between the current rate-setting system, its management, and problems articulated in *The Report*. Those problems were an inflexible rate-setting system as well as lack of child-centered and outcome-driven results. All points articulated in the focus groups and survey, and evident from state cost data.

The next chapter provides the RAND Corporation supplemental "Group Home Program Cost Analysis," which further examines issues with state cost data.

Chapter 4: Group Home Program Cost Analysis¹

Chad Shirley, Ph.D.
RAND Corporation

Introduction

The Urban Institute at CSU, University, Hayward, studied views about group home costs and rates as well as other organizational aspects of the system. This work was done by conducting focus groups and interviews with counties, group home providers and other stakeholders in the system; a survey of group homes' rate preferences; and a description of rate setting practices in a number of other states. Their analysis included a quantitative analysis of state data from 1990 to 2000.

This chapter provides an in-depth analysis of the most recent characteristics of group homes based on 1998 and 1999 state data. This chapter also reports the results of an econometric analysis of costs as a supplement to the Urban Institute at CSU, Hayward, analyses. This analysis also addresses a few specific issues at the request of the CDSS, Children and Family Services Division, including whether group homes experience economies of scale and whether costs differ between counties.

We find that administrative salaries and costs indeed represent a sizable portion of group home board and care costs. Certain categories of group homes are shown to be better able to cover these costs than others. But as of 1999, the majority of programs at all levels faced shortfalls, and the analysis demonstrates that these cost imbalances are not simply solved from the cost side.

Although the chapters that follow identify a number of alternative rate-setting strategies, time constraints made a full-fledged analysis of the economic effects and implications of these proposed rate regimes infeasible. Given sufficient time and funding, the projection of group home costs and receipts would be a very useful input to the policymaking process. At the same time, the incorporation of data on services beyond board and care would help address the full range of needs of children in group homes. Combining these pieces of analysis with the modeling of group home industry dynamics would provide policymakers with the most insight into likely future developments; both for the group home industry and for the children it serves.

¹ Valuable consultations with Dr. Jacob Klerman and Dr. Elaine Reardon, the able research assistance of Charles Lindenblatt, and the excellent writing assistance of Paul Steinberg are all greatly appreciated. Please contact Dr. Chad Shirley at (310) 393-0411 x7823 or at Chad_Shirley@rand.org for inquiries or comments about this analysis.

The Cost Analysis proceeds as follows. I first discuss the data that are used in the analysis. Then, I examine some simple figures to develop a better understanding of group home costs, their components, and their relationship to group home rates. Next, I use an econometric model to examine a number of cost influences in greater detail, including how group home program size affects costs. Finally, I offer a simple simulation based on the model to test whether changes in group home occupancy or capacity could significantly enhance the sufficiency of the reimbursement rate for the programs that face funding shortfalls.

Data Sources and Issues

The CDSS provided data on group home board and care costs and reimbursement rates.² Group home providers are required to submit cost information annually for each individual group home program to the Department's Foster Care Rates Bureau. This cost data, as well as other program information, is disclosed through a series of reports, which is un-audited data. The Bureau provided ten years of data from this SR series of reports (typically referred to as SR 1, SR 2, etc., through SR 5). However, the time needed to check over the data and the tight report production schedule limited our attention to the most recent two years for which the data were complete, calendar years 1998 and 1999.

For data in those two years, I pursued a program of basic data cleaning. I checked for discrepancies between the number of months in the reporting period and the beginning and ending reporting dates; inspected actual occupancy and licensed capacity for dramatic inconsistencies; and verified matches between reported and calculated cost elements. Program costs were subjected to a reasonableness test to identify extreme values for further review. The reporting period, occupancy, and cost data were the most important elements, given our charge to address a number of cost-related questions. In some instances obvious data entry errors were corrected. All discrepancies that exceeded a certain magnitude were flagged and resolved with the CDSS Foster Care Rates Bureau staff.

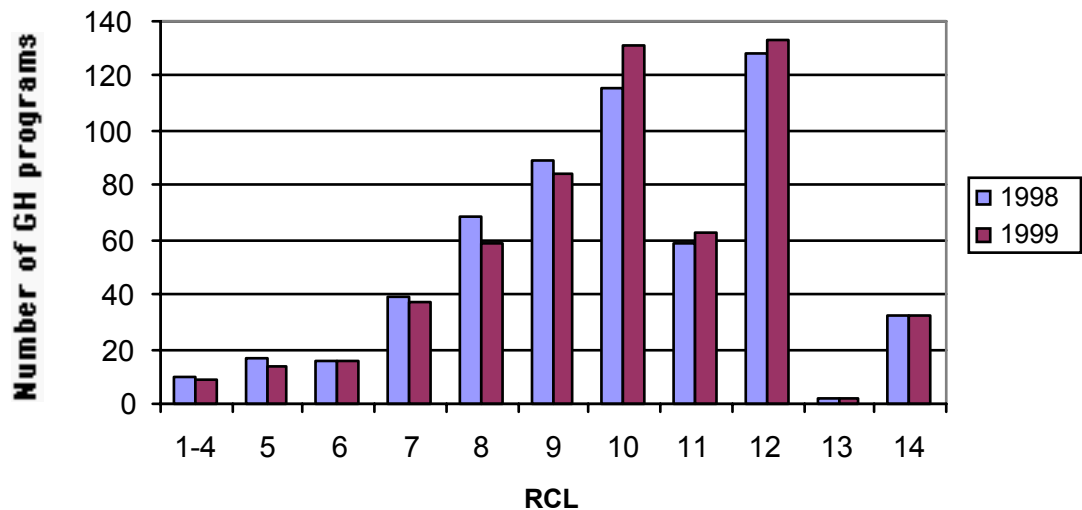
Group homes are classified by CDSS into an RCL based on the number of staff working at a program, their education and training, and their experience. The higher the staffing levels and qualifications, the higher the RCL, with a range from 1 to 14. Although the RCL does not necessarily correspond to the kind of services being provided by a group home program, the RCL is important because it determines the board and care reimbursement that the group home program receives from the state. Illustration 4.1 depicts the number of group home programs that had the relevant data fully reported for the two years in our

² Thanks go to Dr. Benjamin Bowser of the Urban Institute at CSU, Hayward, for forwarding the CDSS data files.

sample, grouped according to RCL.³ Group home programs in some RCLs, such as 10 and 12, numbered over a hundred per year. On the other hand, very few programs existed at RCLs 1-4. For the purposes of presenting this analysis, programs in those RCLs will be grouped together. The grouping does not affect the nature of the results. The fact that no more than ten programs fully reported in these four RCLs in either 1998 or 1999, and the lack of correspondence between the RCL and specific program offerings, call into question whether distinctions between the low RCLs are useful. Illustration 4.1 shows that the distribution of programs across RCLs was little changed between the two years. The number of programs in the higher RCLs of 10, 11, and 12 experienced a small increase between 1998 and 1999 and a small decrease in RCLs 1-9, suggesting that providers may be shifting to programs in higher RCLs.

Illustration 4.1

**Number of Fully Reporting Group Home Programs in
1998 and 1999 by RCL**



Graphical Analysis

Some questions in this analysis can be addressed most effectively with charts and graphs. For example, patterns of group home costs across RCLs are easily depicted. This section develops a basic understanding of the range of group home costs and how different definitions and characterizations affect them. A more involved treatment, using an econometric model, will follow to put numbers

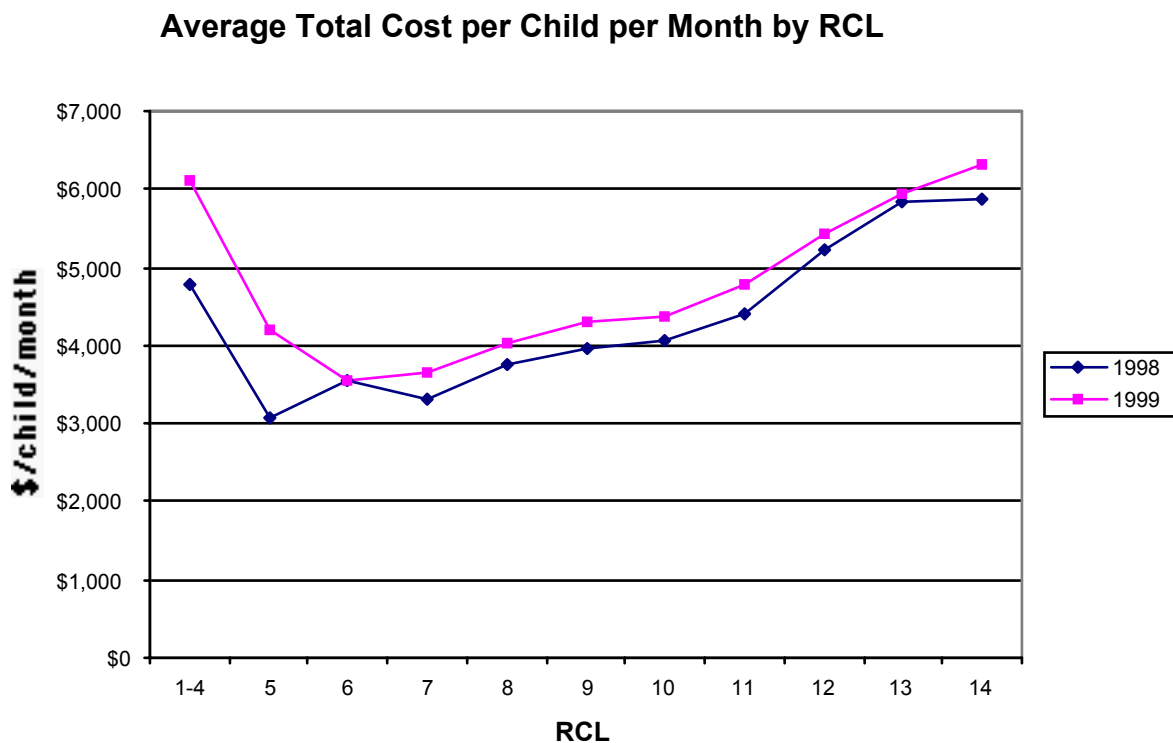
³ Missing data affected roughly 5-10% of the observations in each year.

to these cost influences and to answer questions about relative county costs and economies of scale.

Group home costs vary both across and within RCLs

The next two figures show the differences in group home costs across RCLs and the way that they change over time. Group home costs are reported in different forms. Total costs include all reported board and care costs from the Group Home Program Cost Report (SR-3), such as childcare, social work, food and shelter, and administrative costs. In order to compare programs of different sizes and programs that report over different period of time, these costs are divided by the average occupancy for the reporting period (obtained from the SR-5) and the number of months in the reporting period. This treatment produces a cost per child served per month. Monthly total costs per child are averaged for each RCL group and presented in Illustration 4. 2. Looking within each RCL, the average costs were almost always higher in 1999 than in 1998, even standardizing for changes in occupancy. Looking across the RCLs, the average costs tended to increase as the RCL increased. Given that reimbursement rates increase for higher RCLs, this is not surprising. Interestingly though, average total costs in RCLs 1-4 (and RCL 5 in 1999) were larger than the averages for some of the higher RCLs.

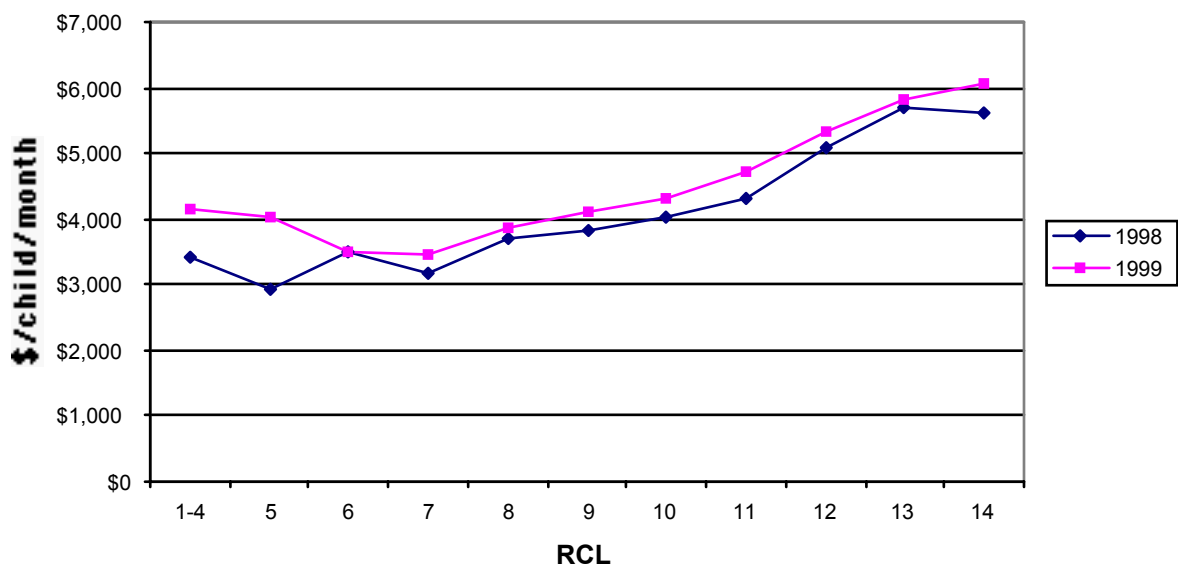
Illustration 4.2



Total costs are not the only form of costs reported. In most cases, group home providers may offer services unrelated to the board and care, such as educational or mental health programs. These programs are funded from other sources. Adjustments for offsets from these other funding sources and adjustments for cost reasonableness are also reported to CDSS on the SR-3, and these adjustments are made to determine the final allowable and reasonable cost for board and care. The final allowable and reasonable cost averages are shown in Illustration 4.3.

Illustration 4.3

Average Final Cost per Child per Month by RCL



Group home final costs also increased between 1998 and 1999. The final costs in Illustration 4.3 conform a bit more closely to the intuition that program costs will be larger at higher RCLs than do the total costs in Illustration 4.2. The adjustments made to total costs in programs in RCLs 1-4 bring down the average final cost. Median costs, as shown in Illustration 4.4, conform even more closely to expectations by moderating the influence of very high cost programs.⁴ This illustration also shows that the pattern observed across RCLs is not a byproduct of averaging. However, the difference between the average and the median values for RCLs 1-4 indicates that the small number of programs has left the average cost figure open to the influence of a relatively high-cost program (or programs) in that category. CDSS officials suggested that the providers in these RCLs typically had applied for a higher RCL status but had failed through an audit to fulfill the necessary criteria.

⁴ The median value is the cost at which half of the programs are less expensive than the median and half of the programs are more expensive than the median.

Illustration 4.4

Median Final Cost per Child per Month by RCL

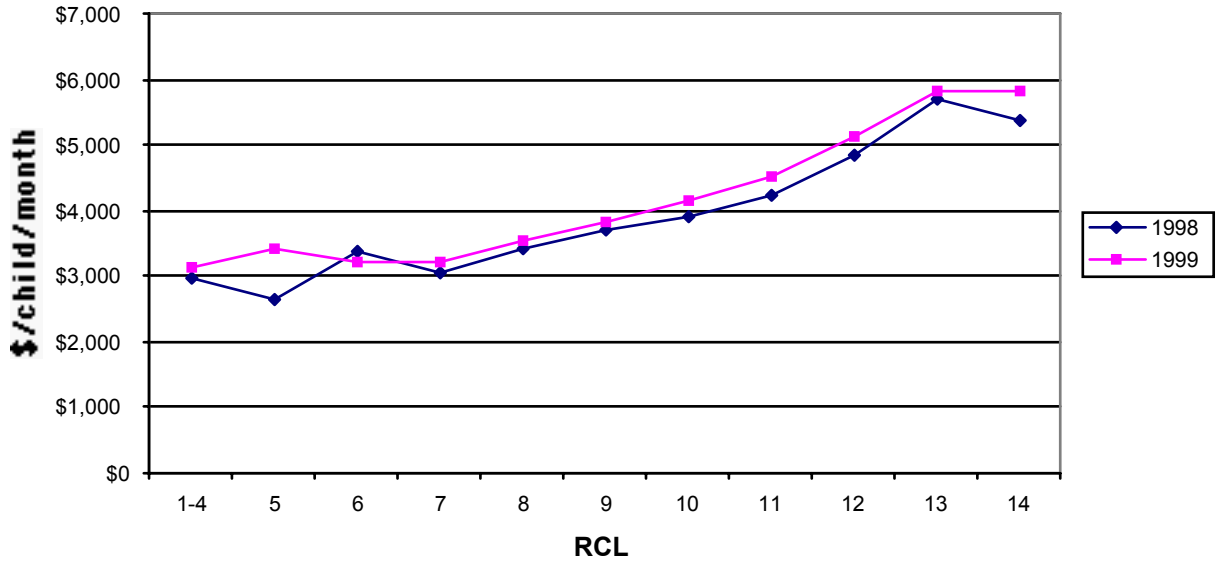
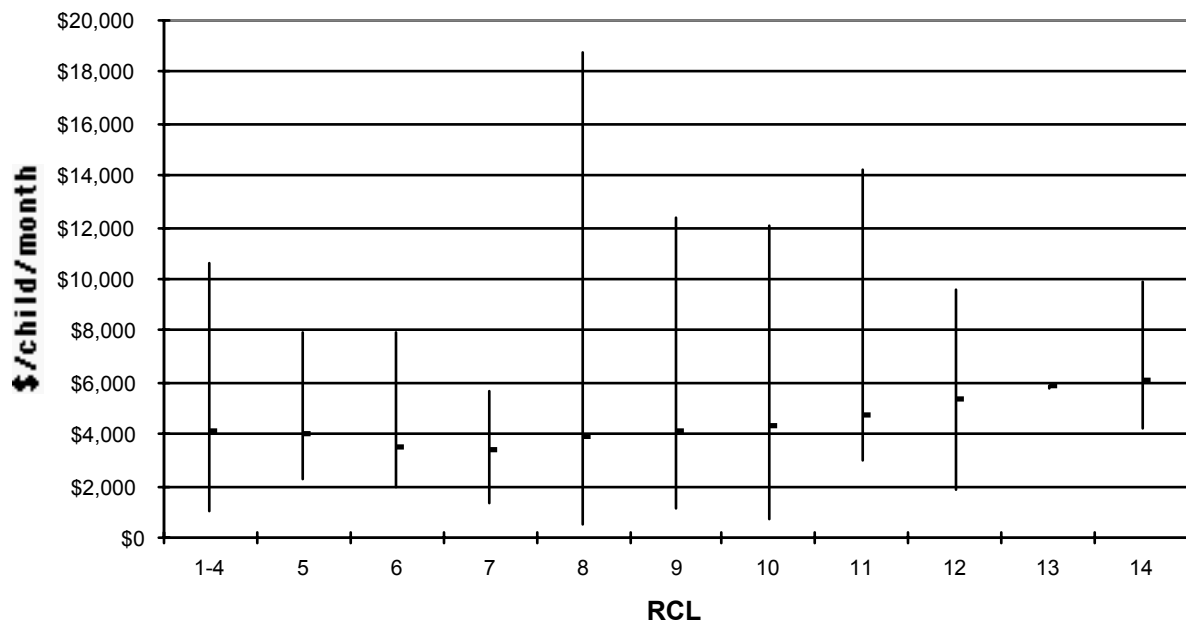


Illustration 4.5 depicts the full extent of the range of cost values with the minimum and the maximum final cost per child per month as well as the average value for each RCL in 1999. (Results for 1998, not included, are similar.) As predicted by the difference between the average final cost and the median final cost, the RCL 1-4 category has a maximum value greater than \$10,000. In fact, looking across RCLs, there is considerable variation in costs. In nearly half of the RCLs, programs existed for which costs exceeded \$10,000 per child per month. Also in nearly half of the RCLs, programs existed for which costs were less than \$2,000 per child per month. There is also considerable variation within categories. In any given RCL, the program costs can differ greatly; a few RCLs (such as 8-10) had both very high and very low cost programs.

Illustration 4.5

Maximum, Minimum, and Mean Average Final Cost per Child per Month by RCL for 1999



Group home rates are insufficient for most programs, although the extent varies by RCL

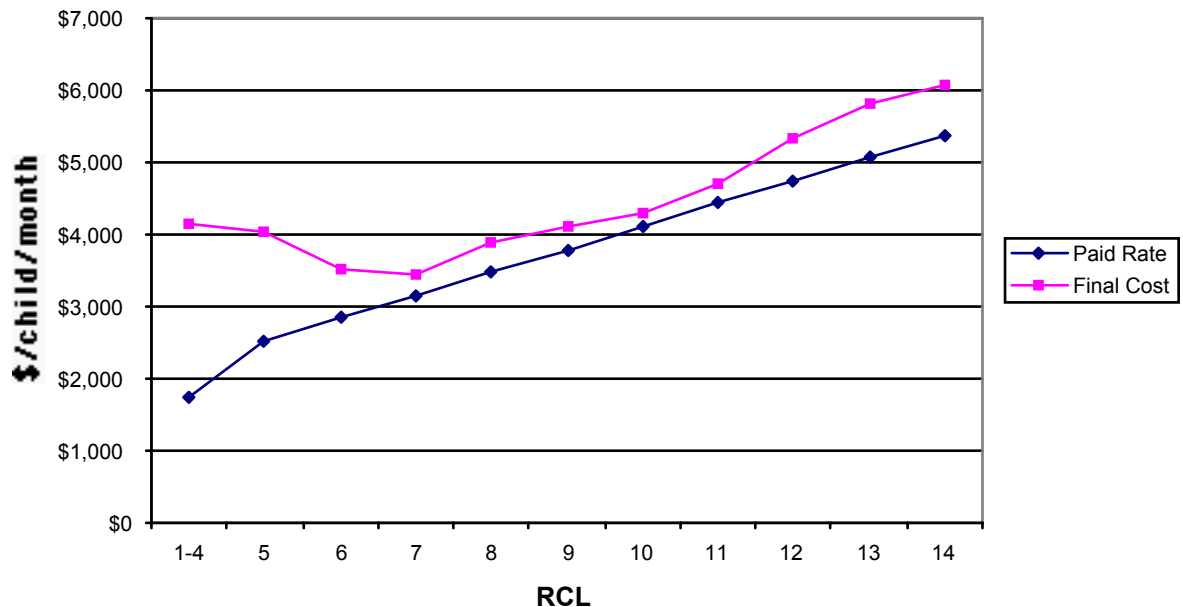
One of the main issues facing group homes today is the extent to which their payments are able to cover their costs. Responses from the interviews and focus groups conducted for the Report indicated a widespread perception that the current rate reimbursement was not sufficient. This perception appears to be accurate as of 1999, although rate payments appear to be even less sufficient in some RCLs than others. Group homes receive funds from a variety of state, federal, and local sources, particularly to help finance educational, mental health, or substance abuse programs. Survey respondents also feel current funding levels more broadly fail to cover the costs of all of the programs that are provided. Although board and care rates may cover costs for some portion of group home programs, these programs may not be able to provide the level of care that they would prefer. Costs may approach payments from necessity rather than choice.

Illustration 4.6 compares cost information with the average rate paid to homes by RCL for 1999. This figure shows that programs at all RCLs were under-funded. Payments for programs with RCLs between 7 and 11 came closest to meeting average final program costs, although the average costs hide a wide range of

individual program costs. Programs at or below RCL 6 and at RCLs 12 through 14 received average payments even further below their average costs.

Illustration 4.6

Comparison of Average Paid Rate and Average Final Cost per Child per Month by RCL for 1999

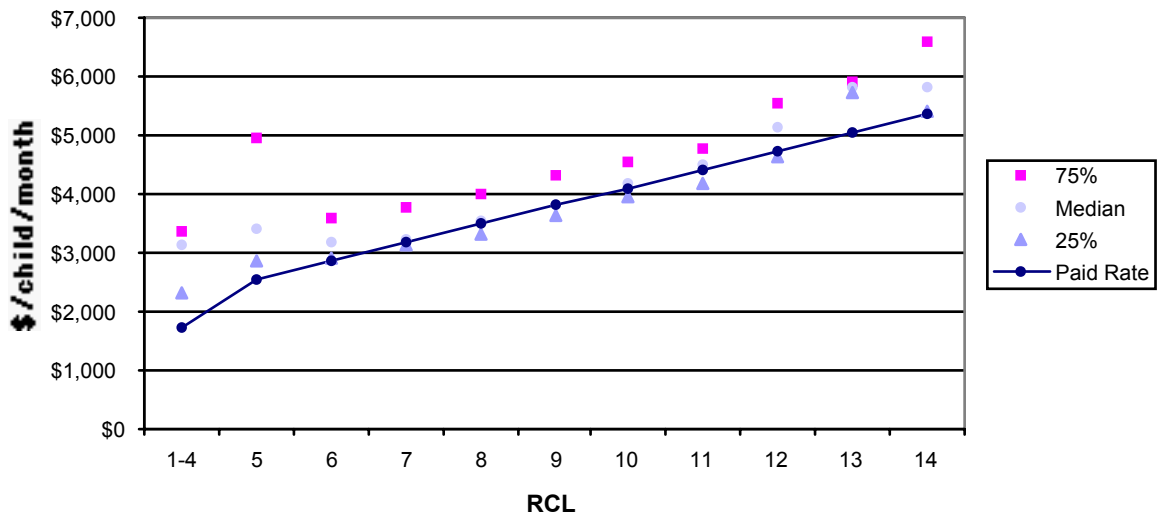


For a sense of how much, the gap between the paid rate and average costs ranged between 5% and 15% for RCLs 7 and above; while at RCLs 6 and below, the difference loomed 25% or more.

The relationship between average costs and the paid rate tells the story of group home reimbursement one way. Another way to tell the story is to offer what proportion of group homes have their costs covered by the reimbursement rate, but this story is little better. Illustration 4.7 compares the average paid rates for each RCL with the percentage of group home programs with costs at or below that average rate. For example, the paid rate covers the final allowable and reasonable costs of roughly half the group home programs at several RCLs, but barely a quarter or fewer programs at other RCLs. Once again, while some number of group homes meet their costs, many others do not.

Illustration 4.7

Comparison of Paid Rate with 75th Percentile, Median, and 25th Percentile Final Cost per Child per Month for 1999



The extent to which a greater percentage of programs should have their costs covered—perhaps to keep more group home programs operating—versus a lesser percentage to save state funds and to promote greater efficiency, is an open policy question. Concerns about the sufficiency of group home rates are clearly warranted. Programs may be under pressure to change their cost structures and the services they provide to match the payment that they receive. Group home providers may feel constrained by their reimbursement rate in what they can offer their children. In apparent recognition of this discrepancy, paid rates have been increased so that the average for 2001 will be between 12% and 15% higher than in 1999. Whether these increases have closed the gap (as it may for some of the programs in RCLs 7 and above) remains to be seen in the 2000 and 2001 cost data.

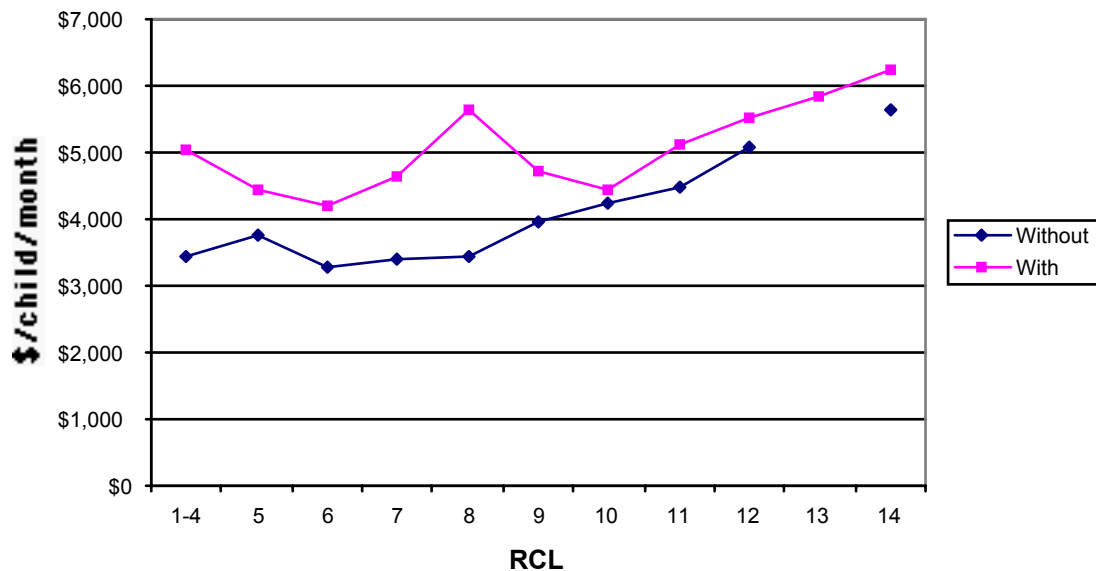
Non-group home programs and administrative efforts affect board and care costs

One of the explanations offered for the insufficiency of state board and care rates is the provision of extra services to children in group home care. Despite offsets from other sources of funding, group homes may not be able to recover all of the costs devoted to those programs, and some of the higher costs may spill over into the board and care costs. Illustration 4.8 shows the relationship between final costs and the presence or absence of a non-group home program being run by the provider. (The gap in the data series occurs because no group home program existed at RCL 13 without a non-group home program.) These indicate that group home programs run in conjunction with non-group home programs

tend to have somewhat higher board and care costs than programs run on their own, regardless of the RCL involved. These higher costs provide evidence that it is harder for group homes providing a wider array of services for their children to meet board and care costs with the current rate reimbursement. However, without data on reimbursements for these other programs, it can not be determined whether these additional costs are being met with outside funding.

Illustration 4.8

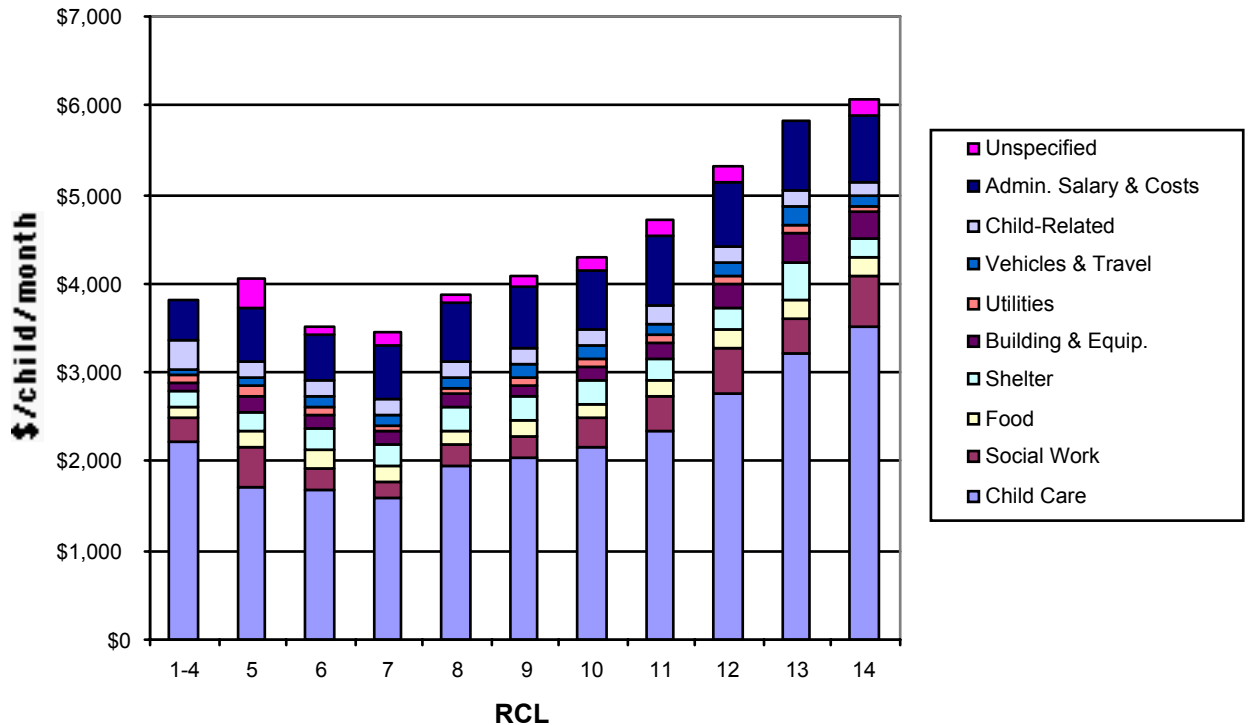
Comparison of Average Final Cost per Child per Month by RCL for 1999 for Programs With and Without a Non-Group Home Program



Another finding from the Urban Institute at CSU, Hayward, analyses, is that group homes face a large administrative burden to meet all of the reporting and accounting requirements placed on them. Illustration 4.9 breaks down final costs for 1999 into their various components, including childcare, social work, food, shelter, and administrative costs. (Results for 1998 are similar in nature.) Costs labeled as “Unspecified” represent discrepancies between reported final costs and the sum of the individually reported final cost components. In some instances, shelter and administrative salary and costs were not immediately entered into the CDSS Foster Care Rates Database pending further review, and so “Unspecified” amounts are most likely some combination of those two costs.

Illustration 4.9

**Components of Final Cost per Child per Month by RCL
for 1999**

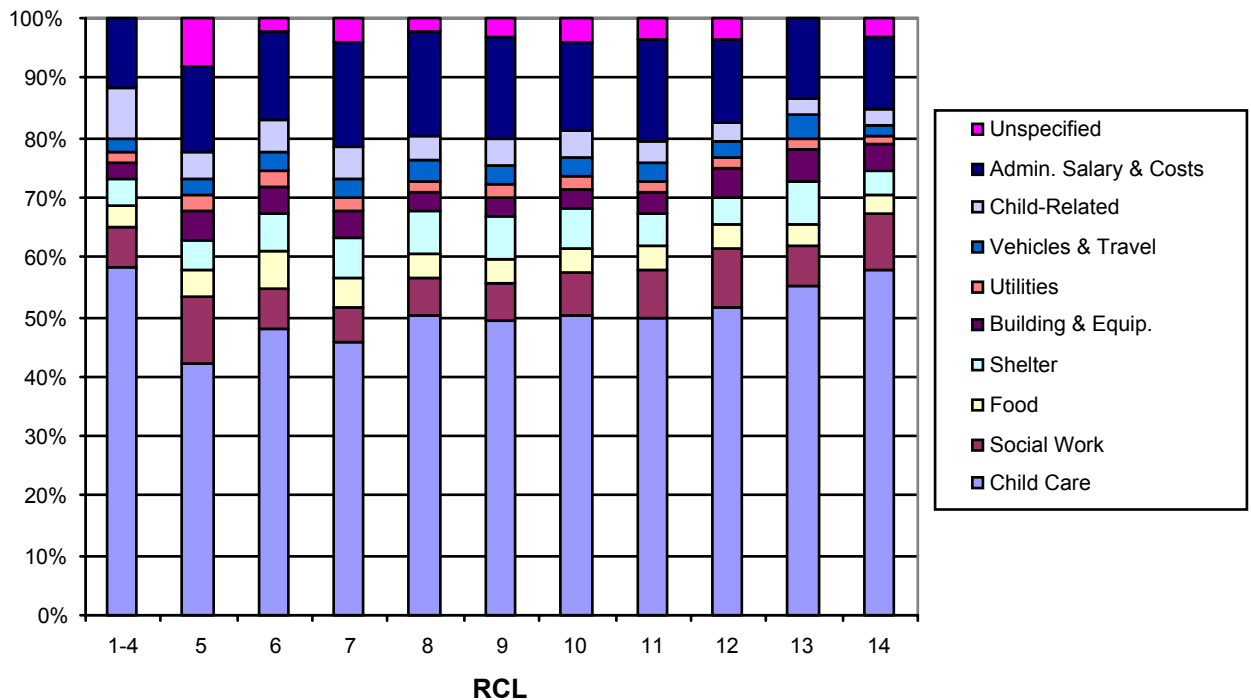


The costs of each component are stacked on top of each other, and the height of the stack represents the sum of the components; i.e., the average final board and care cost for programs in the specified RCL. Taking RCL 14 as an example, childcare costs are clearly the largest component of board and care costs, but administrative costs rank second, being slightly larger than social work costs. This pattern holds across all of the RCLs. Administrative salaries and other costs range from a few hundred dollars per child per month to nearly a thousand (depending in part on how the “Unspecified” amounts are divided between administrative and shelter costs). Illustration 4.10 shows all of the component costs as percentages of the total for each RCL. In this figure the sum of the component bars equals 100%. Looking again at the far right column, RCL 14, childcare costs are clearly the largest component, nearly 60% of average final board and care costs per child. Administrative costs are roughly 12% to 15% of the total, depending on how the “Unspecified” category is thought to be allocated between administrative costs and shelter costs. Looking across RCLs, childcare costs typically run around half of the total average final cost, and they show a slight pattern of increase as the RCL becomes higher. Administrative salaries and costs consistently amount to between 15% and 20% of the total.

Survey responses indicated that the administrative burden of running and reporting programs was high. The remaining third of the costs were split between social work, food, shelter, buildings and equipment, utilities, vehicles and travel, and other child-related expenses.

Illustration 4.10

Average Final Cost Components per Child per Month for 1999



Econometric Analysis of Costs

The preceding graphical analysis has presented several observations about group home costs, among them:

- Costs have increased between 1998 and 1999.
- Costs are typically larger when a program's RCL is higher.
- The presence of a non-group home program increases costs as well.
- Board and care reimbursements failed to cover the costs of a majority of programs.
- Shortfalls tend to occur more often for programs in the lowest and highest RCLs.

In order to test further these observations, I turn to an econometric model of group home costs. This model will also allow us to explore differences in cost across counties while taking into account relevant program characteristics like size, RCL, and the presence of a non-group home program. It will also be used to determine whether group homes experience economies of scale, and whether balancing the number of children in different kinds of programs could rectify the cost shortfalls seen in the previous sections.

The econometric regression establishes a statistical relationship between monthly group home board and care costs and various explanatory factors. One of the advantages of using such a model is that it allows us to control for multiple influences on group home costs and to apportion the influence of particular factors specifically to those factors. In particular, the model allows us to determine what costs are typically incurred by the average group home provider when it increases the number of children it serves while keeping its licensed capacity fixed, and vice-versa, as an average across facilities with different RCLs.

Based on the graphical analysis presented above, I hypothesize that the year, the RCL, and the presence of a non-group home program run by the provider influence the cost of providing group home care. All of these variables are believed to have a positive effect on costs. As the year, RCL, or presence of a non-group home program increases, costs should rise. The county location of a program is also likely to influence monthly group home costs. Group home costs such as salaries and shelter costs may vary significantly by county. The econometric model includes information about the county in which the group home program is headquartered to determine which counties may be home to relatively low-cost or high-cost programs.

In addition to these influences, I am also interested in how the number of children served by a program and the licensed capacity of a program affect costs. These two factors are treated separately to differentiate between a program serving 30 kids with a facility licensed to accommodate 60, and a program serving 30 kids while having facilities for only 30. Even though the programs are serving the same number of children, costs at the larger facility might be higher than in the smaller one. One of the intriguing questions about group homes is whether they experience any economies of scale. Are larger group home programs able to serve children at lower costs per child because they can save, for example, by buying food or supplies in bulk? Or are there other expenses that do not rise as fast as the size of the group home, such as shelter costs? After all, housing for 60 kids might not cost twice as much as housing for 30 kids.

Theoretically speaking, economies of scale are typically experienced when fixed costs can be spread over a number of service recipients or products. Economies of scale are often associated with the manufacture of goods, which requires large fixed investments in product designs, plants, and machinery. Services are less

often thought to benefit from economies of scale, since labor costs are frequently a large portion of the total. Group home programs fundamentally provide a service for children, and Illustration 4.10 shows that childcare and social work expenses form the bulk of group home costs. However, as mentioned above, the importance of administrative costs and shelter costs could provide a basis for economies of scale for group homes.

Theoretical considerations aside, the presence of economies of scale is fundamentally an empirical question. That is, would increasing the number of children served by a group home by one percent cost more than an additional one percent, less than an additional one percent, or about one percent more? If costs increase by less than an additional one percent, the industry is said to experience economies of scale, with the implication that larger programs would be more cost-efficient than smaller ones. If costs increase by less than one percent, then group homes would experience diseconomies of scale. Smaller group homes would be more cost-efficient than larger ones. However, if a one percent increase in children served leads to a one percent increase in costs, then no particular size group home program is favored with a cost advantage.

The econometric model is conducted as follows. The natural logarithm of the dependent variable is regressed against logarithmic and non-logarithmic independent (also called explanatory) variables. One of the chief advantages of such a specification lies in the interpretation of the explanatory variable coefficients. Coefficients for variables expressed as logarithms are interpreted as elasticities, the percentage change in the dependent variable given a one percent change in the explanatory variable. Coefficients on variables that are not logarithms are interpreted as the percentage change in the dependent variable given a one unit change in the explanatory variable. In this case, the average number of children served per month and the licensed occupancy are taken as their logarithms, and the year, the RCL, and the operation of a non-group home program by the provider are left as their original values.

Summary statistics for the model variables are given in Illustration 4.11, before the taking of logarithms (where applicable). Final program costs span three orders of magnitude, from over a thousand dollars per month to over a million dollars per month. About a third of group home programs are associated with a non-group home program. The split between years was almost exactly even, while as noted elsewhere the average RCL skewed toward the upper end of the range. Importantly for the question of economies of scale, the sample includes a wide range of program sizes. Licensed capacities spanned from four to 253, and occupancies averaged just above 20.

Illustration 4.11

Summary Statistics for Model Variables

	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
Monthly final costs	92,929	1,690	1,112,765
Non-GH program	0.337	0	1
Year	1998.5	1998	1999
RCL	9.86	1	14
Licensed capacity	22.21	4	253
Average occupancy	20.12	1.5	234.2

Results of the regression of these factors on group home final costs per month are presented in Illustration 4.12. The model was based on over a thousand group home program cost observations in the two years considered. The R-Squared value indicates that most of the variation in the logarithm of monthly program costs (about 94%) was successfully explained by the explanatory variables. All of the variable coefficients were significantly different from zero with greater than 95% confidence.⁵ As expected, the effects of the year, the RCL, and the non-group home program on cost are all positive. Costs, controlling for the mix of RCLs, number of programs, counties, number of children served, and licensed capacity, increased by about 5.7% between 1998 and 1999. The presence of a non-group home program also increased costs by roughly 11.8%. Clearly some costs from these extra programs affect the group home board and care cost. Unfortunately, more detailed data on the nature and extent of non-group home programs was not available for this analysis. The results also show that increasing the RCL of a program had a marginal effect of increasing program costs by 7.1%. So, holding everything else constant, a program with an RCL of 10 would have board and care costs 14.2% higher than a program with an RCL of 8.

⁵ Standard errors were corrected for heteroskedasticity using the Huber-White technique. Significant difference from zero is determined by taking the ratio of the estimated variable coefficient and the standard error and performing a t-test on the resulting statistic. A ratio greater than 1.96 (for large-enough samples) indicates significance at the 5% level, indicating 95% confidence in the result being significantly different from zero.

Illustration 4.12

Model Results

Dependent Variable: Log of monthly final cost	
<u>Independent Variable</u>	<u>Coefficient</u>
Non-GH program	0.1181
	<i>0.0198</i>
Year	0.0567
	<i>0.0142</i>
RCL	0.0706
	<i>0.0060</i>
Log of capacity	0.1772
	<i>0.0569</i>
Log of average occupancy	0.8265
	<i>0.0577</i>
Observations	1,159
R-Squared	0.944
<u>Notes:</u>	
<i>Heteroskedasticity-corrected standard errors in italics</i>	
County fixed effects not reported	

Program costs increase proportionally with size, and the costs of extra capacity are small

The coefficients on the capacity and occupancy variables indicate that it is much less costly to increase the number of beds in a facility than to increase the number of children. The capacity coefficient implies that a one-percent increase in the licensed capacity increases costs by about 0.18%. Capacity costs are likely to include shelter and other building and equipment costs. In the hypothetical example considered above of two programs serving 30 children, one with a capacity of 60 and the other with a capacity of 30, the program with twice the capacity would have monthly costs 18% higher than its smaller counterpart. On the other hand, keeping a program's capacity constant and increasing the number of children it serves by one percent raises costs by 0.83%. These costs

are likely to include most childcare, social work, food, travel, and other child-related expenses. So if the program with 30 children in 60 beds were to become filled to capacity, its monthly costs would increase by 83%. Having group home programs operate at their capacity would be more cost-effective per child for any individual program (since increasing the number of children served by 100% only increases monthly costs by 83%). But ultimately consideration must be made to provide enough excess capacity to serve the needs of the entire system. The current goal that programs have 10% extra capacity results in costs that would be on average only 1.83% greater than serving the same number of children without keeping the extra capacity. Adding an additional 10% extra capacity on top of that would only increase costs by roughly another 2%. In Illustration 4.10 shelter costs are typically 4% to 8% of the total, with building and equipment costs half that. The cost to the system of keeping extra capacity does not appear to be very large.

As for the question of economies of scale, the effect of adding a child to a program by increasing the capacity of the program is determined by adding the two coefficients together. Increasing both the numbers of children and beds in a group home by one percent leads to about a 1.01% increase in final costs, a number that statistically is not significantly different from one percent. The monthly cost per child of operating a 30-child program with 30 children in it should be no different than the monthly cost per child of operating a 60-child program with 60 children in it. On average, group homes experience neither economies of scale nor diseconomies of scale.

Other size considerations include the number of programs run by a group home provider and the size of group home facilities. The number of programs was not found to have any significant effect on group home program costs when added to the econometric model presented above. As for the relationship between facility cost and size, costs are recorded by program, not by facility. The number and size of facilities in a program is available. In a separate run of the econometric model, programs with larger facilities did not have different costs than those with smaller facilities. Therefore, there is no evidence here that group home program size or facility size affects the board and care cost of serving a child in foster care.

One other caveat to these results is in order. Different organizational structures or management styles or changes in mandated staffing ratios might engender different cost relationships, including one that could entail economies of scale. It is most accurate to state that, given the structure and operation of group home programs in 1998 and 1999, no economies of scale were observed.

Program costs are higher in certain urban counties and remote counties

Finally, although the full set of county fixed effects are too numerous to conveniently list, in some instances group home program costs in certain

counties were estimated to be statistically different than costs in other counties. Holding constant all of the other factors in the regression, such as RCL and occupancy, program costs in the counties listed in Illustration 4.3 were on average higher by the given cost factor percentage than program costs in the baseline county, Alameda County. No county had systematically lower costs, and all of the other counties not listed here were determined to have costs not statistically different from Alameda County, holding other characteristics constant. Many of the counties with higher program costs are highly urbanized counties, such as Los Angeles, Orange, and San Francisco. A few counties in this group are more remote, such as Inyo and Shasta. These cost differences likely stem from differences in prevailing salaries and wage rates and property costs, although a more thorough exploration of these differences could not be performed within the allotted time.

Illustration 4.13

County Final Cost Factors of Note

<u>County</u>	<u>Number of Programs in Sample in 1999</u>	Cost Factor*
Inyo	1	106.7%
Los Angeles	138	12.4%
Napa	5	22.6%
Orange	27	13.3%
San Francisco	18	17.0%
Santa Barbara	6	19.6%
Shasta	8	13.7%
Sonoma	11	11.3%
<u>County</u>	<u>Number of Programs in Sample in 1999</u>	Cost Factor*
Inyo	1	106.7%
Napa	5	22.6%
Santa Barbara	6	19.6%
San Francisco	18	17.0%
Shasta	8	13.7%
Orange	27	13.3%
Los Angeles	138	12.4%
Sonoma	11	11.3%

** Cost Factor is relative to baseline, Alameda County, with 46 programs*

The model presented here is quite robust to a variety of sensitivity tests. None of the results presented above were particularly affected by the cost definitions, regression specification, or sample used. Excluding the cost of reasonable and allowable social work activity from the final costs did not alter the results of the

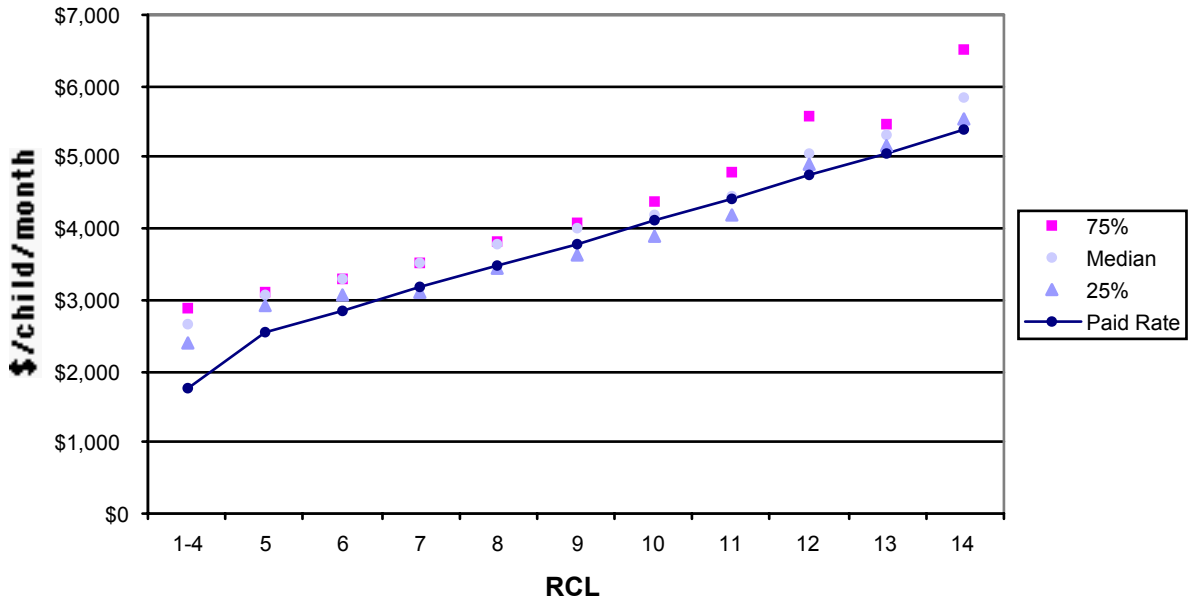
analysis. Using total costs rather than final costs as the dependent variable did not change them either. A squared term was tested to determine whether the effects of rate classification were nonlinear, but it proved to be insignificant. The inclusion of 31 observations for programs that had been terminated did not affect the results, either. The presence or absence of the observations from Inyo County did not impact the coefficients, nor did the omission of the county-specific variables affect the results on the occupancy and capacity variables or decrease the explanatory power of the model. Finally, using each year as a separate set of observations did not produce any significant differences in regression coefficients. Therefore, the pooled set of data was used for the final sample.

Simply filling group homes will not balance costs with reimbursements. The evidence from the econometric model indicates that group home programs are not experiencing economies of scale. The model does show that programs could increase their costs by less of a percentage than their increase in children served by operating closer to their capacity. The graphical analysis offered that group home rates covered the costs of very few programs at the lower RCLs, but in Chapter 3, the Urban Institute at CSU, Hayward, presented Illustration 3.4 showing that average occupancy levels for the lower RCLs were also low. An interesting question is whether costs per child served might significantly decrease if these programs at lower RCLs were to operate nearer to capacity. Could the current level of state board and care reimbursement be sufficient at these lower RCLs if programs were able to operate at 90% capacity?

This hypothesis can be tested by performing a simulation using our econometric model. Group home program costs per child per month can be estimated supposing that all programs operated at 90% of their licensed capacity. These calculations of simulated group home costs are presented in illustration 4.14.

Illustration 4.14

Comparison of Average Paid Rate and Simulated Final Cost per Child per Month at 90% Capacity by RCL for 1999



Note that because the costs are predicted solely based on the explanatory variables included in the regression, and because all programs are now assumed to operate at 90% capacity, there is less variation in these costs than in the real ones presented in Illustration 4.7. But even with the assumption that occupancy hit its current target in each and every group home program, the average rates paid to a large number of programs in all of the RCLs still would not cover their final costs. Not even half of programs in RCLs 12 and 14 would break even. Results were similar when the capacity of the program was adjusted downward, rather than the number of children served increased, to meet the 90% target. Regardless, neither changes in the size or population will completely address the insufficiency of the reimbursement in the lower RCLs. Extra capacity does not drive rate insufficiency, and cost concerns should not preclude the system from offering the extra capacity needed to take care of the state's children.

Conclusions

The Cost Analysis produced several findings:

Graphical analysis demonstrates:

- Reimbursements for board and care in 1999 were insufficient for the majority of group homes, and even more group homes at the highest and lowest RCLs were unable to meet their costs.
- Administrative salaries and costs approach 20% of average final costs per child for programs in some RCLs.

Econometric modeling and simulation show:

- Programs with non-group home activities have higher board and care costs.
- Group home program costs increase proportionally with size, but the cost of keeping extra capacity is small.
- Cost and rate disparities run more deeply than occupancy or capacity readjustments could correct.
- Costs do vary somewhat by location, most likely because of differences in local labor markets.

A number of issues raised proved beyond the scope of this analysis given scheduling constraints. With sufficient time and data, similar kinds of econometric models and simulations could be used to address the full spectrum of group home costs and reimbursements, not just those for board and care. Further analysis would also explore the implications of the proposed alternative rate specification regimes for group homes in light of these additional costs, perhaps in conjunction with a model of group home program entry and exit. Simulations could then estimate group home costs for model programs, tally costs of revised extra capacity goals, and even forecast group home dynamics with a new rate structure.

Group homes in California are not the only ones with these problems. Other states have addressed the same issues. This chapter looks at this important background question for what course of actions can be suggested for the State of California.

Chapter 5: Alternative State Models

A number of other states have reformed or are reforming their group home rate systems. One of our research tasks was to find out from other states what problems they were able to address through group home rate setting and if there is anything we can learn from them. The report, *Rate-Setting Methodology: Research and Assessment*⁶, was prepared by Maximus, a consulting firm, at the request of the Texas Department of Protective and Regulatory Services (TDPRS) in its efforts to revise its rate setting methodology. Using the Maximus report as a basis for this current investigation, we re-examined those states that use a level of care system similar to California's. How did these states revise their rates of payments to private child welfare agencies that provide group care for children placed in out-of-home care by public child welfare agencies? We were particularly interested in systems that attempted to address reform in the context of the needs of children and youth.

Research Question

The initial question asked of respective state personnel was "How does the state determine their payment rates to group home care providers?" Then an attempt was made to probe further into the implementation of their overall child welfare program regarding placement of children in group care and to obtain the state's philosophical approach to purchasing out-of-home care services.

Methodology

The nine states studied in the Maximus report were Colorado, Florida, Illinois, Kentucky, Michigan, Oregon, South Carolina, Washington, and Wisconsin. We succeeded in contacting and interviewing representatives from all nine states. Six of the states provided specific information about their approaches to providing payment to group care providers. Each of these states uses Title IV-E monies to fund out-of-home placement in group care, as well as the other forms of out-of-home placement. Also, we found that only one of the states contacted considered itself to be county administered; that state was Colorado. The other states all had state-administered programs. Finally, in addition to the states that were directly contacted, we were able to consult with a representative of a private child welfare agency that provides group care services in the states of California, Florida, Louisiana, Nebraska, Nevada, New York, Texas, and in the District of Columbia. As a provider in more than one state, the respondent had some insight into the nature of group care issues across the states.

⁶ DMG – Maximus. (2000). *TDPRS Foster Care Rate-Setting Methodology: Research and Assessment Findings*. Denver, Colorado: DMG – Maximus.

Results

Program structures: The following two types of infrastructures were found in the array of public child welfare programs that were contacted for this study. In the first type, there were programs based on the average length of stay.

- Short-term programs typically focused on assessment processes that took a brief amount of time (no more than 90 days).
- Long-term programs focused on case management services.

In the second type, there are programs based on the types of services provided by the care provider. Typically, fewer services were offered in the foster care family models, while the most extensive services were provided in psychiatric/residential programs. Because the focus of this study was group care, much of the inquiry was directed to the administration and funding of long-term programs that offered services. Generally, all of the states have some category of group care services for what are generally considered “high end” services such as residential care for psychiatric treatment. In addition, there are less intensive types of group care that are also provided.

Generally, level systems are structured in such a way that inherent incentives encourage care providers to focus on services to those children who have serious needs because reimbursements are larger when children have more needs. However, because care providers focus on maximizing resources and minimizing costs, this structural incentive of levels of reimbursement leads to the private child welfare agencies doing the following. They tailor their services to meet the needs of those children who have difficulties that are not so severe that they drain agency funds, yet severe enough to warrant placement with the agency. In addition, there is strong incentive for programs to want to go up to higher reimbursement levels but not take on children with more severe problems. These negative outcomes are inherent in the level systems (like California’s), are a large part of other State’s attempts to reformulate the group home reimbursement process.

Undoubtedly, there are private child welfare agencies that are not interested in maximizing their payments, and work well with public child welfare agencies to assist children and families resolve the issues that resulted in a child’s placement in out-of-home care. The private child welfare agencies that are most successful have the ability to provide services essential to children with serious needs without jeopardizing their financial health. But unfortunately, because of the limits of federal cost reimbursement, the issues of liability, licensing regulations, and financial accounting more often frame the interaction between the state, counties, and agencies. We found few attempts to use reimbursement rates as incentives to maintain children who are the least difficult to manage and who bring in the lowest reimbursements. Incentives are inherent in the approach to

paying the cost of providing group care services to a wide range of children and youth in out-of-home care. The following is a summary at how some states address rates and incentives that are informative to California.

Selected Overviews

Washington

In the state of Washington, out-of-home placement in group care is now called Behavior Rehabilitation Services (BRS). State administrators report that the state has moved away from the position of buying beds to buying service packages for children. A service package is based on a child's characteristics. Group care providers then are expected to meet the child's needs in the most appropriate environment, whether that is placement in a group care facility or in a therapeutic foster home. The state's goal is to structure the incentives so that providers will want to stabilize troubled children and youth and to move them into less expensive settings. The Washington State Department of Social and Health Services uses four (4) categories of care to meet their children's service needs:

1. Behavioral and emotional problems;
2. Sexually aggressive youth;
3. Children with developmental disabilities;
4. Medically fragile children.

All of the numbered categories (1-4), except the medically fragile, have four service levels (A-D). For example, Level 1D is the lowest level of category one and provides services for children with behavior problems that are not mental disorders; Level 1A is the highest level of category one and provides services to children who do have diagnosable disorders and may have multiple service issues (i.e., substance abuse and child welfare services).

There is person who serves as a gatekeeper in each county: Social workers create a referral packet to give to a regional group care coordinator (BRS). The BRS budget is monitored by the group care coordinator within each local jurisdiction. State administrators report that they have been looking for an assessment tool to distinguish between levels of need within each category. So far, they have not been successful.

There is a ceiling rate for each category. For 1D it is \$2400/month, and the ceiling rate for 1A is \$6700/month. State administrators recognize that most providers' costs are close to or at the ceiling rate. Rates are actually negotiated with the Washington State contract coordinators in the region; this gives regions flexibility to respond to their particular differences.

When Washington's four categories and four levels within categories are considered, they have 16 levels where each level is behaviorally and intensity specific. The current California RCL is not behaviorally specific and implies 14 levels of unspecific intensity. Also, there is a county and regional role in Washington's rate setting.

Kentucky

A unique approach to structuring services is the Children's Review Process employed by Kentucky. They use an independent assessment provider to determine the level and type of services a child needs. Consequently, the level system is not based on the level of services that the program provides, but rather on the child's need. Kentucky considers it important for the assessor to be independent, meaning the person plays no role in managing a group care facility or providing services. The independent assessors' office both assesses and coordinates placements. Once the assessment of the child is completed, the placement assessor coordinators look for placements that can meet the needs of that specific child. Once the child or adolescent is placed, a time is set for a follow-up review and assessment to see if the child has made progress. Progress is defined as improving in function so that there is a reduction in the child's level of need.

Kentucky has found a way to address a major flaw in California's placement system. That is the lack of a child-centered and outcomes-driven assessment, placement, and follow-up system. The structure of payments for placement is a relatively new system, and has not been in place long enough for administrators to gauge its overall success. However, there is at least one criticism of this system: If a youth makes progress in this system, the child's level is changed which possibly destabilizes the child's progress. The result is yet another move back up to a higher level of care. This outcome does not lend itself to placement stability.

South Carolina

In South Carolina, there were seven different types of group care options. They are: 1) regular group care (run by churches); 2) low-level management; 3) moderate care; 4) high care; 5) residential treatment; 6) psychiatric residential treatment; and 7) hospitalization. Medicaid dollars are a primary source of funding for "high end" services from Level 3 (moderate care) to Level 7 (hospitalization). The state negotiates its group care rates with providers based on the state's ability to obtain matches for the costs incurred.

Similar to Kentucky's use of independent assessors, South Carolina uses a managed process to select children for referral to group care. Their Management Treatment Services (MTS) office is responsible for assessing children who are referred for group care placements. They also select an

available program that can provide the least restrictive placement alternative while providing the appropriate level of care. Local social workers make requests for the MTS to review a child's need for placement in a group care facility.

Participants in the MTS process include representatives from mental health, developmental disabilities, the local schools, the state MTS worker, the case carrying social worker, and juvenile justice, if necessary. Children and parents are sometimes called upon to participate in the process, though this is rare. If a child is determined to be appropriate for services, then the case is assigned to a social worker from the MTS office. MTS workers carry very difficult caseloads, so they handle fewer than other social workers and are expected to provide intensive case management services. In this MTS process, every county has a MTS worker assigned to it.

Note that this system is similar to Kentucky and has two innovations. The assessment and placement decision can bring a number of specialists to bear on it. Kentucky also recognizes that assessments and group home placements are difficult and complex and, therefore, the people who make these decisions must have limited caseloads. Here again there is something for California to consider.

Approaches to Payment

Payment approaches ranged from those that set rates based on legislative mandates to rates that are negotiated by providers within each local jurisdiction. In some cases there are payment systems based on historical arrangements that were "grandfathered-in" when newer approaches were adopted. Generally, new approaches were based on one or more of the following criteria:

- State determined rates based on staffing requirements,
- Negotiated rates based on some consideration of provider costs,
- Child need-based rates, and
- Child's age-based rates, including consideration of child need.

The DMG-Maximus Rate-Setting study points out that a number of states require that group care providers submit audit information to their respective state's child welfare offices to determine a group home's rates. This information is then used to negotiate rates. From audited information, the state is also able to monitor costs. In addition, agencies that provide group care services may be required to respond to request-for-proposals (RFP). If the private agency submits a proposal to provide services that meet their respective state's expectations, they may be offered authorization to provide group care services. Similar to the RFP process is the invitation to negotiate rates. In this process, a private agency is invited to submit a bid to negotiate reimbursement rates for providing placement services.

Generally, programs examined by the DMG-Maximus Rate-Setting study use fee for services approaches to reimburse providers. Based on their respective rates, providers were reimbursed for services provided in the previous month. This is the most common method. But there are other approaches. In a unique move, Kentucky is piloting a program using “case rates” for comprehensive services. This approach gives incentives to providers to accomplish services within a set period of time for a precise amount of money. The approach is similar to the notion of the Diagnostic Related Groups (DRG) approach used to determine the cost of hospital stays for specific types of treatment. However, there remain some questions about the effectiveness of this approach in child welfare group care placements.

Another approach to reimbursement is the use of Medicaid based services. Overall, states indicate that as a function of the mental health needs of children in out-of-home care, they are able to utilize Medicaid funds for care. One state suggested that Medicaid funding is used to some degree in reimbursing all group care costs. If Medicaid was not a direct funding source for care, then the funds were used specifically for mental health services.

The following table provides an overview of selected other state rate setting.

Illustration 5.1

Other State Rate Setting

<i>Characteristics</i>	<i>DMG States</i>							
	Colorado	Florida	Kentucky	Michigan	Oregon	South Carolina	Washington	Wisconsin
Responded Level System	Yes Three basic levels	No Yes (according to DMG)	Yes Yes	Yes Yes	Yes Based on staffing	Yes Yes	Yes Yes	No Yes (according to DMG)
Use RFP/ITN*	Yes – negotiated rates	Yes – issue ITN	Yes	No	No	Unknown	Yes – negotiated rates	No
Administrative Structure	County	State	State	State	State	State	State	Unknown
Co/state rates	County based rates	Unknown	State	State	State	State	Region	Neither; workers
Individual Assessment	No	Unknown	Yes – Blue Grass Medical Health	No	No	Yes	Yes – Placement Coordinator	No
Assessment Team	No	Unknown	Children's Review Process (piloting cases rates)	No	No	Managed Treatment Services	Unknown	No

Illustration 5.2

Advantages and Disadvantages to Other State Rate Setting

<i>Characteristics</i>	<i>DMG States</i>							
	Colorado	Florida	Kentucky	Michigan	Oregon	South Carolina	Washington	Wisconsin
Advantages to the state's rate setting process	Both providers and counties have roles in rate setting.	Unknown	The state has an independent assessment of youth in who also does placement.	Straight-forward and not complex	Works with group home providers to set the group home rates	Uses a team assessment process of setting levels of care; has specialized units with reduced caseloads to staff these cases.	The focus is on the purchase of services, rather than on securing empty beds. There is flexibility according to the region of the state.	Unknown
Disadvantages	Higher rates for youth with more problems results in a disincentive to help children resolve issues.	Unknown	If a child makes enough progress in treatment so that the assessment level changes this could result in a change in placement for a youth	The process does not seem to reflect the costs of providers or the needs of youth beyond the "disability-of-care" supplements	The rate structure is based on staffing and not based on the needs of the youth in out-of-home care	The costs of providing is not identified in the rate setting process	State staff reported that there is some recognition that the costs of group home providers are usually more than the outside limit allowed for the placement coordinators to authorize	Unknown

In re-examining the information from the DMG-Maximus Rate-Setting study, clearly state child welfare programs are exploring techniques to manage their costs and to provide targeted services to children and families. These types of reforms seem to be based upon similar problems faced in California, and are the basis of reforms now underway⁷ (CDSS, 2001).

While not intending to be a review of the literature, an earlier study was conducted by the Bay Area Social Services Consortium (BASSC) that

⁷ State of California, Re-examination of the Role of Group Care in a Family-Based System of Care, Report to the Legislature, June 2001. Sacramento, CA: California Department of Social Services.

reviews the use of managed care as a tool in child welfare⁸. In the BASSC study the researchers also explored a number of different state's methodologies for reimbursing payment to providers for overall child welfare services, including out-of-home care services. Specifically, this study examined services provided in one county in Ohio, and services provided in Kansas, New York, and Tennessee.

A county in Ohio piloted two different approaches to managed care. Plan one focused on in-home child welfare services (children and families with open CPS cases who primarily lived at home), and plan two focused on children with multiple placements in residential treatment care (Embrey, et al., 1998). The models used in New York and Tennessee primarily focused on managing the costs of out-of-home care, and the model used in Kansas primarily focused on family preservation, adoption and out-of-home care.

Overall, what each of these studies found was that use of managed care in child welfare must be implemented incrementally. But these programs have not been in place long enough to determine whether the outcomes of these efforts are effective in terms of containing costs and focusing services on the needs of children and families. The variables they examined included the degree of risk sharing inherent in the respective models, the use of an utilization review process, and the use of capitated rates for services. A summarization of their findings is provided in Illustration 5.3.

⁸ Embrey, R., Buddenhagen, P., Goldberg, S. C., DuBrow, A., Bolles, S., Kramer, K. (1998). *A review of managed care as a tool for child welfare reform in Alameda County*. Berkeley, CA: Bay Area Social Services Consortium, University of California, Berkeley, School of Social Welfare.

Illustration 5.3

Other States—Risk Sharing, Captitated Rates, Utilization Review Team

<i>Characteristics</i>	<i>Other States</i>				
	Ohio 1	Ohio 2	Kansas	New York	Tennessee
Risk Sharing	Shared risk; 5% margin rate	Not stated	Shared risk; 20% margin rate	None	Full Risk
Captitated Rates for out-of-home care	No out-of-home care CW svcs	Not stated	\$13,557 per family/mo	Unknown	Approx \$3,000 per month
Utilization Review Team	No	Yes	no	no	no
Adapted from (Embry, et al., 1998)					

Summary of Other State Experiences

Only one state out of eight reviewed has not re-examined its process for determining rates for group care providers within the last ten years. Each state reviewed was in transition, and was attempting to re-visit their service priorities in the context of out-of-home placement group care. Three of the responding states are not using approaches based on the concepts of controlling costs and targeting services while three other states are. Whether or not Florida and Wisconsin are using similar approaches is unknown at this time.

Given the above discussions regarding approaches to managing the costs of out-of-home care, there is much hesitation about serious consideration of the different approaches to containing costs for the following reasons: First, there is no child welfare data in California or any other state that is board enough and in sufficient detail to use the cost reduction methods common to other professional settings. Furthermore, there is no predictive data analysis in public child welfare to use to inform decision-making for these cost containment approaches. Without better information, outcomes to any reform will have to be established based on guesses.

One main reason all of the state programs look so similar and are struggling with the same issues of reimbursement, effectiveness, and costs is because they are all shaped and constrained by federal Title IV-E, of the Social Security Act, regulations. By federal law there are specific

items they may pay (board and care), and many other items, such as education and health they cannot pay. These other expenses are covered by other federal entitlement programs. While the division of human needs into categories to be administered by different bureaus may seem reasonable, the size and complexity of often conflicting and overlapping regulations makes program administration at the state, county, and provider levels a wonderland divorce from the holistic needs of children in group homes.

Meanwhile, there is a need for change. There are reasons that give these cost review models credibility in the context of public child welfare. Specifically, these other state models are able to allow for the needs of children and families to be given equal consideration in the calculus of policy decision-making. They also provide opportunities to focus on outcomes. Finally, these cost-containing techniques can be implemented experimentally, so that current procedural systems are not discarded without concrete evidence that newly developed systems are equally if not more effective. Without balance in the implementation of these models, there will undoubtedly be a negative effect on the lives of children and their families.⁹

What then are the alternative foster care payment systems that must be considered, and based upon the focus groups, survey, and state rate application data? What are the administrative structures that must support them?

⁹ Courtney, M. cited in Embrey, R., Buddenhagen, P., Goldberg, S. C., DuBrow, A., Bolles, S., Kramer, K. (1998). *A review of managed care as a tool for child welfare reform in Alameda County*, (p. 70). Berkeley, CA: Bay Area Social Services Consortium, University of California, Berkeley, School of Social Welfare

Chapter 6: Selection of An Alternative Rate

The different rate alternatives are outlined in this chapter. Following each illustration are the essential management and accounting requirements. Then we outline the minimal administrative transitions necessary to implement each option.

Illustration 6.1

Option A: Cost-Based Rate

Providers are to be reimbursed by a method developed from cost-based data.

State Foster Care Branch Range of Reimbursables	Foster Care Group Home Actual Expenses
Foster Care Branch will conduct annual cost studies of Title IV-E reimbursable expenses for foster care programs at each level. The range of costs are adjusted by the county and divided by the children / youth program. Other state departments would conduct annual studies of reimbursable expenses under their purview.	Each program bills the Foster Care Branch for the cost of each Title IV-E reimbursable expense based upon the number of children in their program and the county and bills the appropriate state departments for reimbursable program costs under their purview.
Reimbursement	Expenses
<ul style="list-style-type: none">• Rent/Mortgage• Utilities• House Insurance• House Maintenance• Furniture• Auto/Truck• Auto Maintenance• Salaries• Staff Benefits• Food• Clothing• School• Auditing• Administration	<ul style="list-style-type: none">• Rent/mortgage• Utilities• House Insurance• House Maintenance• Furniture• Auto/Truck• Auto Maintenance• Salaries• Staff Benefits• Food• Clothing• School• Auditing• Administration

Phases in Administration of Cost-Based Option:

1. CDSS would set up a cost analysis unit that would work with county departments of social services to estimate the costs of living and reasonable reimbursement rates.
2. From each county a range of reasonable costs for each reimbursable item can be determined by preferably studying actual model program costs, or by using costs-of-living data for the county. These costs should be updated annually and at least every other year. In particular, group home salary ranges should match county social service salaries for the same work.
3. These ranges of reimbursements are to be made available to all foster care group homes, county administrators, and to the public in print and by website.
4. Based upon the fiscal year, group homes are to submit board and care maintenance budgets itemizing total projected expenses in each category of reimbursable expense. A computer scored form can be used for convenience in processing.
5. Computer-based analysis of budgets can be programmed to check that expenses are within the pre-established cost ranges set for their level of service, county, and the number of children they serve. Programs at or below the median can automatically clear this stage of the application process. Programs that exceed the median of pre-established expenses for any item must provide written justification for these requests. A state reviewer then examines these requests and either approves, denies, recommends at a lower level, or leaves them pending for investigation.
6. In addition, a CPA audit of the prior year should be included that provides an accounting assessment of each reimbursable expense in the prior fiscal year.
7. Programs that have clear audits and whose budget application has also been cleared move to funding. Programs without clear audits and/or problematic requests will be case managed to determine a course of action.
8. Approved programs then receive budgeted expenses monthly.
9. If a program moves to another county or the number of children they serve changes, the program must submit notification of change for variance in their month reimbursement.

Transition Implications: CDSS would assess costs, review re-applications, audit reports, and monitor program updates and compliance.

Option B: Client-Based Incremental Rate

Funding is determined by the individual needs of the child. The rate could be graduated in increments reflecting the level of services.

Phases in Administration of Client-Based Incremental Rate:

1. If CDSS implements incremental categories of services, such as board and care, educational services, mental health services, independent living program services, alcohol and drug services and other services, for transitional purposes, the current RCL levels can be aligned with each category in an upper and lower range. In order to maximize flexibility, there would be some overlap of levels as illustrated above.
2. CDSS would continue to assess and certify which of the six service levels a program is on. But instead of the rate application being assessed annually, a program would receive a one-time assignment within a level of service unless a program applies to operate in a higher or lower service category at a later date.
3. A range of reasonable costs within each service category would be established by preferably studying actual model program costs and by using costs of living data for the county. These costs should be updated annually and at least every other year. In particular, group home salary ranges should match county social service salaries for the same work.
4. Group homes may have the option of continuing to offer their own internal service along with basic board and care under their assigned service category. These programs would be funded at or below the median of reimbursements within each level of service.
5. Another option for group homes is to devise some program focus within reimbursable board and care categories. These programs could be funded at or above the median of reimbursements within each level of service.
6. Based upon the fiscal year calendar, a program would submit a budget for the new fiscal year. Their total of proposed expenses, rather than itemized costs, should be within the total prescribed range of costs per child permitted for their level of service.

7. Programs that propose enriched program foci should submit program proposals outlining their enhancement and justifying extra costs within their service category. Each program proposal should include some annual measurable program focus outcomes to determine the effectiveness of their enhancement.
8. Programs should continue providing certified public accounting fiscal audits.
9. Program focus enhancements can be awarded for multiple years provided the program is able to meet its annual measurable goals. An application can be submitted at the end of each multi-year period if it is assessed to be stable and successful both financially and programmatically.
10. Programs would be approved for the next fiscal year provided they showed an acceptable audit, and a proposed new or continuing budget that is within the approved cost range.
11. Programs will be required to report any change in the number of children for which they were funded to serve or change in program enhancement.

Transition Implications: CDSS would be realigned to assess program costs with each service category and review and monitor program enhancements.

Option C: Managed Care

A specific amount is paid for each child for a defined period of time. This can be a specific amount starting at the mean (average) prescribe cost of the child's assigned service level.

Phases in the Administration of a Managed Care Foster Care Rate:

1. Assuming the adaptation of program types, the CDSS would establish minimal requirements of a program at each level of care.
2. The median cost of each rate would be established by the CDSS based upon either existing cost reimbursed through the RCL system or cost studies of model programs at each level of service.
3. Group home programs would submit startup applications for classification within one of the levels of care. Once their level was established, it would not be necessary to reapply unless they wished to change levels.
4. Group homes would then apply for reimbursement based upon the number of children they serve.

5. They would receive a standard rate per child each month regardless of the needs of each child. The assumption is that some children cost more, while others cost less. In a well managed home the cost would average out to the mean of their service level's cost. As not-for-profit organizations, group homes that were particularly efficient could keep any unspent funds to reinvest in equipment, group home faculties, or programs.
6. At the end of each fiscal year, group homes re-apply for continued funding and provide CPA audited reports of their revenues and expenses. Based upon this re-application, continued funding would be awarded assuming a clear audit.

Transition Implication: CDSS would need to conduct costs studies to annually re-assess the mean of costs for each service level.

Option D: Program-Type Specific Rates

A rate would be established for each program type. The rate could be adjusted in increments for layers of additional services the program might be expected to provide.

Phases in the Management of Program-Type Rates:

1. CDSS would determine through either annual model programs costs or cost studies the range of reasonable expenses for each program type. They would also determine the minimal services and requirements for each program type.
2. Group homes would first apply to operate at one of the six levels of care. Once granted, they would not have to re-apply unless they wished to change levels.
3. In conjunction with the counties, providers, and through consultation with researchers whose work has focused on effective practices, the state could establish specific program frameworks within each program area.
4. Providers then submit to the state program proposals that show how they will conduct best practices for their specific program objectives. Peer review panels conducted by the state would rate program proposals. The panels would consist of teams of group home providers, county administrators, and other service providers. Each panel would have a state team chair and would use pre-set review guidelines. Based upon recommendations, the state would either decline funding, or fund a program at a specific rate within their service level.

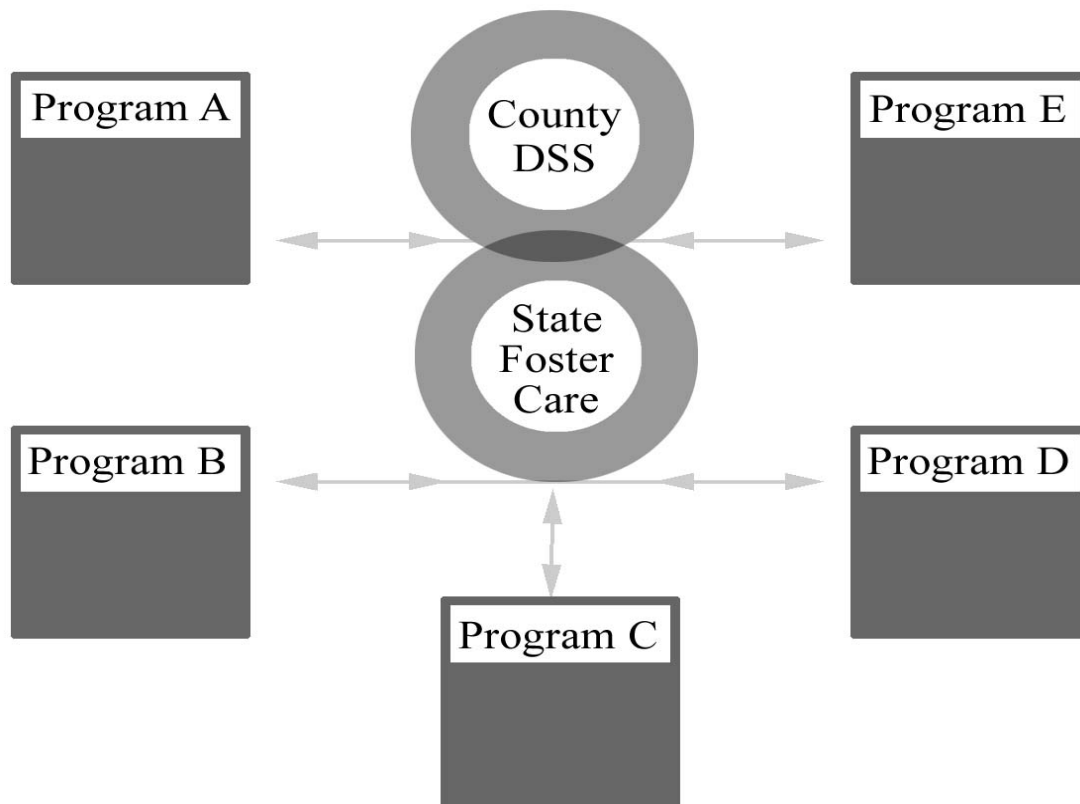
5. To save administrative time and cost for both the state and group home providers' reimbursement rates could be for multiple years.
6. On years that a program is not in re-application, the home can provide annual progress report of indicators, and a certified program audit.

Transition Implication: CDSS would switch from performing annual rate audits to managing the annual review panels and evaluating group home proposals, which would require change in federal law.

Illustration 6.2

Option E: Negotiated Rates

The payment would be negotiated with a provider to provide all services identified by the county's assessment for each child and family.



Phases in the Administration of Negotiated Rates:

1. County DSS administrators, in conjunction with CDSS, will determine local costs for running group homes at each level of service. These county-by-county estimates can be based upon model program costs or on other county-based estimates of cost. These costs estimates will be published and made available to group home administrations.
2. In order to be able to compare program plans and budgets, the state/county should develop a prescribed format for plans and budgets as well as evaluation criteria.
3. Group homes will then develop program plans for the board and care services they want to offer based upon the state/county guidelines.
4. Teams of state, county, and provider administrators will then evaluate the plans submitted. The end results of the evaluations are recommendations of whether or not to fund and the level of funding.
5. Program officers will then negotiate with programs to revise their proposed program and/or budgets based upon reviewer comments and suggestions.
6. Again, program rates can be multi-year for stable and ongoing programs. Reporting requirements can be fiscal year-end audited financial statements, and program progress reports.

Transition Implication:

The Foster Cares Rates Bureau would be required to work with County administrators to develop costs ranges for reimbursable expenses. They will provide technical assistance to group homes developing program proposals and set up the annual review of plans and budget submissions.

Assumptions and Contrasts

There are several assumptions behind the development of each of these options. First, each is designed to fund programs at whatever level the state is able and willing to support group homes. Like the RCL system, each option is based upon the assumption that cost rates meet program needs. To meet this assumption, each option has administrative provisions to estimate costs annually or every other year even if the actual rates are not adjusted. This is in response to the current administrative shortcoming of not having sufficient cost data to know whether or not the current system is under-funded or appropriately funded.

Second, one of the advantages of the current system is that it is incremental. That is there are multiple service options, recognizing the varying needs of children who need more and more restrictive board and intensive care. Based upon prior experience, as the needs increase for behavioral and mental health care, so also do costs. Each of the outlined options incorporate incremental service levels and costs.

This is a clear strengthening of current reporting requirements over un-audited rate expenditures.

Finally, all of the above options begin with current level funding whether it is sufficient or not. The annual cost analysis in each option will turn up any deficiencies or over estimations of costs.

Contrasts

Each option is different in what it emphasizes. The Cost-Based System Option (A) is the most administratively efficient. The prescribed levels of funding acknowledge basic cost and pay those costs. The primary focus of the Managed Care Option (C) is to constrain costs and to provide incentives for good, cost-efficient services; it uses a standard rate per child regardless of costs. The Client-Based Option (B) focuses on the needs of clients or children in group homes by evaluating homes based upon outcomes. Options A through C are state driven. The Program Focus Option (D) promotes innovation and variation in what programs do to meet the needs of children in foster care. This includes a peer review, conducted in concert by the state, counties, and group home providers. The Negotiated Rates Option (E) also requires joint review by the state, counties, and group home providers and constrains costs and promotes the programming option advantage.

Chapter 7: Rate Revision and Management

We have gathered information from a variety of sources—focus groups, survey, state data, and other states. What inferences can we draw from findings using these sources to improve California’s foster care payment system?

Other State Systems

Other states are our first source of information as outlined in the prior chapter. In comparison, California is unique with its 14 level calculus of rates based upon staffing. If we go down our list of issues and look for solutions from other state rate-setting systems, the following picture emerges. California is not alone in not knowing whether its rates cover the full costs of running foster care homes. The other states we investigated have not done comprehensive costs studies either, and no state claims to adequately fund their group homes. Other states claim to be “child-centered,” such as Colorado, and others calculate costs based upon children’s needs (Texas), but there is no evidence from any of these states that outcomes for children in group homes are improved as a consequence. Evaluations of state systems are hard to come by because virtually none have instituted “outcome” measures based upon children in placement. Kentucky’s and South Carolina’s incorporation of assessment is too new to have outcome assessments, as is Colorado’s system.

Unlike California’s RCL rate-setting system, most other states do not have group homes 14 levels to set rates for. However, most states share the fragmentation of funds at the county level, primarily due to the uncoordinated way that federal monies are administered. California is also one of a handful of states whose foster care system runs at near capacity where often social workers have to scramble to place children, anywhere. It appears that this is the case in more populated states; the less populated ones are able to exercise more care in their placements and violate their placement goals less frequently. Finally, the other states vary in the extent to which county administrators and social workers are involved in state run foster care rate setting.

The review of other state funding practices does not clearly identify another system that has solutions for California’s problems as outlined in Chapter 4. But there are noteworthy models in Kentucky’s and South Carolina’s incorporation of assessments and in Washington State’s use of state staff as county placement coordinators. But what we did find was that the four levels of participants in our focus group study did favor aspects of other state systems.

Aspects of Other State Systems

There was an exercise in the focus groups and interviews to get the reaction of respondents to key assumptions in the other state systems. The *Maximus Report* and *Reexamination Report* identified four of five alternative funding systems that we have explored for this report. The following are those assumptions, followed by the state most closely associated with the system, and then there are the responses of focus group respondents to each.

Cost-Based Rates (Michigan): Each facility sets its own rate. Facility costs must be reviewed and justified each year and be within pre-determined state guidelines. The State Legislature provides funding that may or may not meet total costs. The State Department of Social Services reconciles the difference.

There was a distinct unwillingness among focus group care providers to set their own rates and then have them reviewed and adjusted by the state. County and state respondents were also uncomfortable with facilities setting their own rate and then negotiating. The only respondents who showed some interest in this alternative were large providers who had the administrative infrastructure to do so.

Client-Based Incremental Rates (Texas): This rate is based upon a cost-of-living estimate such as the 1997 Federal USDA Expenditure Report for Children's Needs that serves as a base rate. Then additional client needs, such as medical, mental health, and educational are added in six levels of funding from the least to most restrictive. This system is closest to California's in levels of funding. The main difference is that rates are calculated based upon client needs rather than staffing education, experience, and specialty.

Most respondents agreed to the underlying assumptions of the client-based incremental rate system. They disagreed with the assumption that basic costs are roughly the same. The majority of respondents reported that children with complex and enduring needs require greater costs, suggesting additional levels of funding. It is no coincidence that most respondents supported this system. It is most like the California rate-setting system.

Managed Care or Block Rates (Colorado): There are two types of managed care rates. The county receives a block grant from the state to fund its group homes. The county is then responsible for managing its group homes within the constraints of the block grant funds. In Colorado each county negotiates a rate with its homes based upon the needs of the children they serve.

We did not ask specific questions regarding the use of block grants, but we did ask which level of administration did respondents feel could best determine costs and administer funds. There was general consensus by group home providers and county placement staff that they had the least confidence in the

state administration; their perception is that the CDSS has been the least sensitive to issues of cost and administration. The choice they were most comfortable with was the county in conjunction with the homes. But neither the county level administrations nor group homes were willing to take this on by themselves.

Program Specific (Washington): Each facility responds to a state call-for-proposals to provide services. Programs apply for funding within four intensity levels of care. Programs are selected based upon services they offer and then negotiate their rate of payment with the state.

Little interest was shown in the state putting contracts up for bid every year and then negotiating rates with homes.

Other Options

Respondents were presented with two other options, only one of which is part of another state system. The *Reexamination Report* did not list the Wisconsin procedure for streamlining group home funding applications and reporting. It follows.

Standardized Forms (Wisconsin): In this option, each facility completes a standardized form and sets its own rate within state guidelines. The state then reviews, approves, and disapproves each line item. Like the other states, Wisconsin has an administrative basic maintenance rate, and a supplemental rate based upon the needs of the children in each home.

California county and group home provider respondents were ambivalent about the standardized system. They had no experience with it, and expressed the feeling of wanting to avoid any plan requiring direct dealing with the state.

Peer Review: We asked county and group home providers if they would be willing to serve as peer reviewers for annual rate renewal. Under such an approach, they would review the applications of other service providers and make recommendations to the county and/or state with regard to levels of funding.

Respondents were divided on this item. Some expressed enthusiasm for this idea, while others were ambivalent. Of those who were ambivalent, their main concern was the possibility of favoritism among group home providers.

This analysis indicates the aspects of other state experiences with rate setting that California group home providers and administrators would be most comfortable in considering.

Suggestions for Change

And finally, we asked respondents in all of our interviews the following questions:

- *Would you like to amend the current system?
If yes, please describe the reforms that you would make to the existing system.*

And,

- *Would you like to replace the current rate system with a better one?
If yes, please describe the new system that you would prefer.*

A content analysis of their responses shows that most preferred major amendments to the current system rather than to completely change it. The surveys verified this finding:

Illustration 7.1		
Survey Content Analysis		
Current view of possible changes to the current rate system?	Number of Facilities	Percentage
Like system as it is	11	0.70%
Current system amended in minor ways	25	7.60%
Current system amended in major ways	91	62.80%
Replace current system entirely	17	11.70%
Total	145	100%
Missing	38	

Sixty-two percent of those who responded to this question indicated a need for major change of the current rate-setting system. Interviewers probed each focus group and interviewed for the reforms or changes respondents favored. This was hard work; most people responded by repeating the problems or repeating what was needed. Occasionally, someone offered an action item as a solution. If there were no strong objections from a number of others in the group, we listed these ideas below. We cannot claim that people involved in group home work have a consensus regarding any of these suggestions. But what follows is the collective wisdom of several hundred people who are nearly representative of state administration, county social services, association representatives, and group home providers on what actions might be taken to amend the current rate payment system. Following each suggestion are the problems in Chapter 3 that might be resolved if the suggestion was implemented.

1. Menu of Services: Placement social workers should be able to select from a menu of services a child's needs. The range of services needed should then be used to identify the specific agencies in or near the county that offers what the child needs. Each service on the menu is rated at a standard price.

The menu idea would reduce the complexity of the current RCL and any perception of arbitrariness in placements by county social workers.

2. Service Monitoring: There is a need for independent monitoring of service delivery. Children can be selected at random in group homes. Then independent monitors can check with providers outside the home where the children are receiving services. Monitoring can also check to see that assessments are being done and that assessment goals are being met. Where discrepancies are found, the records and assessments of other children in the same home can be reviewed as well. Independent monitors would be free to make judgments without concern for their long-term or ongoing relationships with group homes and county administrators.

This idea centers on children entering the system and, therefore, makes it "outcomes-driven."

3. Negotiated Rates for Children: Another suggestion is that it is more important to rate the children in terms of their severity of needs. The county can enter into a contract with a group home to meet each child's needs. The contract should list desired outcomes, special needs, and the timeframe by which the outcomes are to be fulfilled. This is a negotiated rate based on the needs of the child and the capacity of the home to address these needs. In this way, homes will be more sensitive to the individual needs and goals of each child in their care.

This idea also addresses the need to be child centered and outcomes driven. It also provides some flexibility for programs to be creative in addressing children's needs.

4. Licensing of Rates/Combining Audits: A provisional rate should be part of a group home's licensing. Instead of Community Care Licensing granting only a license, it could also grant a provisional rate. In the same way, there is no reason why the rate and program audits should be separate or one due at a different time than the other.

Without changing the rate system, its administration would be simplified and the burden on service providers would be streamlined.

5. Bundled Funding: The state and counties could apply to all the various funding sources and bundle them for (small) providers. Depending on the needs of each child in their care, a group home would then receive the equivalent of a block grant to meet well-known costs for board and services.

This approach would reduce the fragmentation of funding and the burden of applications, audits, administration, and the timelines of receiving funds. However, accounting for the appropriate use of these funds remains subject to federal requirements.

6. Multi-Year Rate: Instead of one year of funding at a time and going through the same administrative burden annually, expand the program re-application and review period to two or more years. This would require thorough reviews and audits, and the ability to quickly change budgets within a longer funding cycle. Very stable group homes that maintain the same number of children and range of services could have their funding extended for three to four years.

This would reduce the administrative burden at all levels. The costs of ongoing administration and accounting would not change, but the annual re-application costs could be considerably reduced.

7. Service Incentives and Disincentives: Build in incentives for group homes to achieve specific goals for children and youth. If they reach that goal in less time than they were funded for, they may keep the remaining money to reinvest in their home as an incentive for good work. If they run overtime, they still have the same goal to reach, but they receive no extra funds—a disincentive for not reaching contracted goals. However, designing the appropriate funding mechanism would be challenging.

This is one way to address the needs of the system to be outcomes driven and child centered.

8. Interagency Administration: Organize an interagency group home care division at the county or state levels with representatives from all funding agencies. State and county housing authorities are examples. This interagency group will then bundle funds for group homes at the state level and/or provide block grants to counties. The counties then use a menu (above) or RCL like system to fund children's progressively more severe needs in progressively more restrictive and heavily staffed group homes.

Administrative costs and the fragmentation of services would be considerably reduced for group homes if addressed through interagency administration.

Summary Principals Leading to Recommendations

Based on focus group and interview responses to our questions and to the suggestions offered by respondents, there are some basic assumptions we can make to guide the selection of recommendations regarding revisions of the rate system for group homes in California. These recommendations address the legislative request that we develop an alternative funding system. Our recommendations also respond to *The Reexamination Report* regarding the administrative challenges to a payment rate system. The guiding assumptions are the following:

- *The current RCL should be amended not replaced.*

Our respondents have made it clear that they want the current system fixed; they are not interested in wholesale change. Change to a completely unfamiliar system held too many unknowns.

- *The most critical issues are not the RCL rate-setting system but administrative practices related to the application of the rate system whether it is the RCL system or some other.*

Counties pay the majority of the non-federal share of costs for foster care and run homes at near capacity. These are administrative decisions as are the state's complex administrative reporting requirements. None of these issues are inherent in the organization of the RCL. Yet each administrative action affects the effectiveness of the RCL. That both the state and counties have fragmented and uncoordinated funding are not issues apart for the current foster care rate-setting system—the RCL. The administrative decisions that produced these problems affect both the intent and objectives of the RCL system. Changing the RCL system will not change these issues if they are not directly addressed.

- *We have to work within existing federal financial constraints, despite the fact that group homes and services may be under-funded.*

According to group home providers and county administrators, group homes have historically been under-funded. The continued reluctance to provide more than board and basic care can be traced to federal government regulations in Title IV-E. These regulations do not permit recognition of the full range of human service needs beyond physical care and security. The U.S. federal government, not the state or county governments, to this point, has demonstrated an unwillingness to pay for the development of individual talents and skills, normal participation in social life, sports, recreation, and cultural and educational enrichment as do European nations. The presumption that one can become fully human without these needs met is a major flaw in American social welfare policy. The State of California as the administrator of federal Title IV-E funds has inherited this flawed concept of human services.

- *The focus of reform should be on child-centered, outcome-driven services.*

The goals of becoming “child centered” and “outcome driven” are articulated in the *Re-Examination Report* and are points of consensus in the focus groups. The next chapter outlines our recommendations.

Chapter 8: Recommendations

The study team has collected vital information regarding the current California rate-setting system and the administrative practices that support it. This includes an accounting analysis of the rate-setting system organization and administration (Chapter 2); and focuses group interviews and surveys of near representative samples of California county administrators and staff. Focus groups were also conducted with group home providers themselves, and we interviewed association representatives and other stakeholders (Chapter 3). The state SR1-4 database was also explored. Finally, there is a review of alternative state models (Chapter 5) and suggestions for change from group home providers, county workers, and state administrators.

Key team members wrote briefs based upon their investigations that are incorporated into this report. In addition, we had a series of meetings with our interviewers to discuss the implications of their work, to review their experiences in the field, and to get their sense of the recommendations. Out of these analyses, discussions, and reflections came a series of proposals for reforming the foster care payment rate system and administration of group homes in the State of California. They are presented in order of centrality to the specific mission of this study—to develop an alternative or amended foster care payment system and the administrative procedures to support it.

Our recommendations regarding rate setting are first. A recommendation to re-focus the system to be child centered and outcome driven comes second. Thirdly, we address lack of capacity, a factor that negates the purpose and objectives of any rate system. Finally, we make recommendations regarding the administration of group homes with regard to other funding sources that affect rate setting. All of the recommendations that follow address the legislative request to examine the group home payment rate system and to make suggestions to fix or change it.

Revision of the Current Rate Setting System

The current RCL rate structure and practices are like IRS regulations; they are burdened with complex rules, and are monitored by layers of bureaucracy. As noted in the prior chapter, implementing a completely different alternative funding system would be very disruptive and, under circumstances of fiscal constraints, it is unlikely that a completely new system would be adopted or, more importantly, would have better outcomes. Any changes made should result in a funding system that is “simplified,” falls within federal Title IV-E regulations, and better utilizes existing resources.

Recommendation 1: *The RCL system should be amended from 14 unspecified levels to a small number of levels of specific care where service levels are thoroughly described.*

This recommendation calls for abandoning the calculus that results in 14 levels of care based upon staffing size, skill, experience, and hours with children. The RCL system is non-intuitive (i.e., there is no sense of what goes on at each level), nor is it apparent where more restrictive settings begin and more services are provided to accommodate increasingly serious problems among children in the system. The six types of group home programs that have been proposed in *The Report* may be a potential starting point for such categorization for rate-setting if further developed and adapted. They are intuitive, parallel other state systems, and recognize the need for different types of group care and are clear articulations of those types.

Most existing group homes in California cluster around five RCL levels—8 to 12. The amended system would move from a calculus with non-intuitive levels and replace them with six or more distinct program types of care. Like the RCL, program types move from the least restrictive, Level 1, to the most, Level 6. There is an additional advantage to making this change. The six program types of care set the stage for moving to a child-centered and outcomes-drive system as will be discussed in additional recommendations.

New Basis of Cost and Reporting: The financial organization of the proposed system would also change. The current RCL system is a staff-based incremental system that is unique to California. Like the RCL, the proposed level system would have higher reimbursement rates at each program type to account for more intensive supervision and service costs. This is a client-based incremental system like those in Texas and Kentucky. But we propose a refinement to this model appropriate for California. Instead of using national cost estimates, estimates of the cost of supporting children at different age groups should be conducted annually and adjusted by county differences in living and service costs as expressed in the next recommendation.

Recommendation 2: *Funding of the articulated levels of care should be based upon a rate per program, periodically reviewed and tested for reasonableness.*

Currently, the majority of group homes in California receive between \$4,600 - \$5,600 per month as a reflection of their staffing profile and awake-hours supervising children. Recommendation 2 suggests that there should be ongoing studies of the actual costs for running group homes programs of all types. Based upon these periodic studies, a base rate could be set for the average costs of board and supervisory services per child by age and by program type. This would be the test for reasonableness. In addition, these tests could incorporate cost-of-living differences by county.

An initial examination to set base rates could be done in a variety of ways. Model group home programs within each program type and by size of operation could be identified and their costs carefully studied and noted. These costs could then be standardized as the base rate to be paid to others within the same

category of care, adjusted for different costs of living from county to county. Once rate costs were established, audited financial statements prepared by a CPA could monitor home costs. These audits are now submitted annually to the state based on the fiscal year and outline all expenses and revenues. This point leads to an accounting and audit recommendation related to rate setting.

Recommendation 3: *Group home financial reporting of state rate-based income and expenditures should be part of CPA annual audits based upon the fiscal year that report total program costs.*

Current rate setting and budgets are based upon the calendar year (January 1 to December 31) and use non-audited documentation, the SR-3 “final and allowable reasonable costs” (Column D) to determine appropriate sharing ratios between the federal, state, and county for the rate set. Meanwhile, audited overall program reports are based on the fiscal year (July 1 to June 30). This means that reports of rate-based costs are not comparable to the reports of audited actual expenses and revenues. The current rate system is based upon an accounting system that falls short of assuring “accountability” for funds expended by group homes. Implementing Recommendation 3 for the amended rate system, in one action, makes more accurate information about costs available, and reduces group home provider’s paperwork and costs of reporting to the state. It also makes the use of consultants to complete the rate-setting forms unnecessary; increases confidence in reported costs and revenues; and increases the probability of retaining small group home providers.

To meet Recommendation 3, annual audit requirements under SB 933 would be modified and consideration to be in compliance with the federal audit requirements, OMB Circular A-133, would need to be addressed. The CPA audited annual financial statements of group homes can include schedules that break down program revenue and costs for each group home program, whether it is state funded or not. This would enable the CDSS, Foster Care Audits Bureau to perform more effective reviews. This would also enhance “accountability” for funds spent by group homes and avoid the potential for disallowed costs that might be later discovered by federal auditors of state expenditures.

The amended rate system would require realigning the Foster Care Program Audit Bureau with the Foster Care Audit Bureau. Instead of RCL rates, homes would have to be assessed for appropriate program type and reimbursement within that category of care based upon cost estimates and county adjustments. Where financial auditing is necessary, recommendation 3 will make it easier and more straightforward to gather evidence to support information reported by the provider. This information can involve examining employee records to verify staffing and/or determining whether cost amounts are valid. If annual audit statements with appropriate supplements do not provide sufficient information regarding costs, then the CDSS, Foster Care Rates Bureau could permit group

homes to report additional information on forms tied to the group home's audited fiscal year-end reports.

Finally, will this amended system cost more, the same, or less? There are potential savings in tying rates to articulated categories of program types because of reduced paperwork. There are definite savings in group home costs for preparing applications and in reporting. Averaging basic costs across programs, adjusted for county costs of living, may actually generate savings because programs will have new flexibility in staffing. But in terms of board and supervision costs, the question of whether the amended system will cost more or less is really moot.

The RAND analysis presented in Chapter 4 suggests that full board and care costs are not covered. Current RCL reimbursement levels should only be a starting point for a new system. This is not a flaw in the RCL system. Cost-of-living increases based on any reasonable estimate could have been used to adjust RCL rates, but as our analysis shows it appears to have made very little difference. In which case, we expect that the amended system will also be criticized as under-funded. The difference is that the amended rate system will show precisely the extent of under-funding (if cost estimates are conducted) and what group homes are doing, if anything, to make up the shortfall. However, in the unlikely event that group homes are funded in the future near at their real cost, there will be a system in place to make certain that those costs are reasonable and auditable.

The next set of recommendations addresses the need to make the amended foster care payment system a tool for child-centered and outcomes-driven results. In effect, this approach focuses a system of limited financial resources on addressing the social developmental needs of children and youth in group home care.

Toward Child-Centered and Outcome-Driven Results

Costs vary greatly with regard to staffing that is reimbursable through federal Title IV-E funds. The current RCL rate system is a good attempt to express these costs by formula focusing on staff, the major cost for services, and time supervising children. The central shortcomings of this rate system are that it does not: 1) outline how effective services will be provided; 2) spell out service goals; 3) specify what constitutes success; or 4) say how long services should be provided for goals to be reached before an alternative is sought.

Given these shortcomings, success or failure of the new rate system will be dependent upon accurate assessment and a plan of action for each child based upon that assessment. Presently, assessments vary from county to county in: 1) how thorough and accurate they are; 2) how well trained and skilled the assessor is; and 3) whether it is done before or after placement. This problem is

further exaggerated by the lack of trained social workers in many counties. Without accurate assessment, one can not know what level of care is appropriate. And without a plan based upon assessment, one can not know what behavioral or developmental goal to work toward or what is a sufficient length of time to reasonably expect to reach that goal. Without assessment and a plan, the behaviors and emotions of a child or adolescent in group home care can be misinterpreted and inappropriate services provided inefficiently. Finally, where thorough assessment is lacking, programs are generic and do not specifically address the individual needs of the children and youth who receive them.

Assessment can be advanced through rate setting by having at each levels of care a specific client-based focus tied to funding that allows group homes flexibility to devise custom child-based services in the following way.

Recommendation 4: *Group homes within each program type can negotiate for supplemental funding to their base rate for behavioral, mental, and physical health programming, or for service collaborations.*

In the first recommendation, we propose a rate-based board and supervision payment system that is client-based (rather than staff-based) with incremental rates, adjusted by annual cost estimates and by county cost of living. Recommendation 4 gives homes the option of providing services in one or two ways. In the first, they can opt to directly provide services in their home as a supplement to basic board and supervision. They would apply for supplemental service funds (for which a funding mechanism would need to be designed) by presenting a plan outlining what services they will offer and any particular themes or methods they wish to use in delivering these services. Such services might include health, dental, mental health, sports, ecology, culture, outdoors, art, or music. This option will allow medium to large size homes to customize the service delivery experiences for children and youth in their care. In comparison to the current RCL system, high-level group homes are exchanging some proportion of their high staffing numbers and supervision time funds for programs. But in Recommendation 4, they have to specify what those services and programs are and would have flexibility in how these services are staffed. It should be noted that some of these services are currently fundable and others do not have current funding streams available.

Alternatively, a home has the option of focusing on only board and supervision. Additionally, if they wish to offer services they can develop a plan for service delivery and enrichment by identifying and contracting with external providers. Their task then will be to transport children placed with them to these services. This second option gives small group homes flexibility and the option to also develop programs. In this second option, small homes should have the choice of either paying, getting reimbursed, and doing the accounting for these services themselves; or of having the county handle the payments and accounting for

services in their program plan. This is an informal service a number of counties are already providing for children in small homes. In this way, the accounting and paperwork is minimized for the home and the children receive thematic services. Reducing the paperwork, accounting, and having the option to contract out for services, increases the probability of attracting and retaining small and ethnic minority providers.

There are potential savings. It will not be necessary to do the RCL system accounting in addition to program accounting. Programs will have flexibility in hiring staff who can focus on service outcomes working children's plans. RCL calculated funds for supervising children could be devoted to flexible service delivery plans and programs. However, the use of Title IV-E funds for this would be problematic under current federal rules. For example, most group homes have informal rules and systems of reward and punishment of residents. A proposed program plan could be as simple as being able to provide allowances for chores well-done, movie money for good grades, participation in a sports program, and field trips to museums, concerts, and theme parks.

How would the plans suggested in Recommendation 4 be evaluated without bias and favoritism? The review process could be run by the state, separated by levels of care. That is, group home providers who engage in a particular type of care would review plans of other providers of the same type. In addition, there would be an equal number of county staff on each review team. Plans would have prescribed formats; the evaluation criteria would be defined in advance and well publicized; and there would be request limits by service levels and categories. Each review team could be staffed by a state employee and chaired by a state manager or independent third party. With five to ten teams, several hundred plans could be evaluated, rated, and ranked in a few days. The state could then award service plans based upon the recommendations of the review team and funds available. Such an approach would involve county and home providers in the decision-making and selection process, bring people who are most familiar with program issues and realities into the selection process, and eliminate the appearance and likelihood of bias in selection. Of course, as with any government program an appeal process would have to be developed.

The above review and selection process would use the collective wisdom of providers and county administrators and service staff to prevent questionable or unethical programs from being funded. It would also make group home service providers and county administrators partners in rate setting.

Questionable program planning was reported in the county and group home provider focus group interviews. An example was a plan to train children in group homes in hair care for them to work in a beauty parlor. Another example was a group home that wanted to devote itself to the pizza business. In both cases it was not clear whether child labor laws were accommodated, how children would be selected, and what would be done with earnings and profits.

The proposed process using peer reviews could identify such shortcomings and recommend corrections.

There is an important caution here. Plans and timeframes for children with chronic and reoccurring problems have to be very carefully selected. There are some children who are severely disturbed and provisions have to be made for them through assessment, placement, and re-assessment.

As with the RCL system, all of these recommendations are moot if up to 25% of children can not be properly placed because space is not available when it is needed. The next recommendations do not focus on the rate system itself, but on the most important issue to rate effectiveness, capacity.

Capacity

Study of the SR1-4 state data shows that some counties are at licensed capacity for specific RCLs and that this situation varies from year to year. Additional children who need placement at these RCLs can not find openings in their county. Furthermore, across the state, there are RCLs that average above 90% of capacity. This means that in the entire state there are few openings at a specific RCL. The study team's assessment outlined in Chapter 3 is that there is a lack of capacity in the group home system is an outcome of increasing numbers of children needing placement and increasing numbers of children with serious emotional and behavioral problems necessitating longer stays. Declining extended families, homelessness, parent's drug abuse, and disproportionate numbers of African Americans and Latinos who experience these problems bring a new level of complexity to under-capacity in foster care. But in addition, management of the RCL does not have a strategy for responding to near capacity. While little can be done for the moment about addressing funding levels, there are ways to address capacity through the new foster care rate setting system.

Recommendation 5: *State (and county) funding should encourage expansion within program type at levels that are over 90% of capacity before critical shortages occur.*

Currently, homes are reimbursed for the number of children they serve without regard for future needs. Instead we propose a system that is responsive to changing capacity. When one of any of the program types categories in any county reaches 90% of capacity, homes at full capacity should have the option of receiving 5-10% more over their total state and county expenses per child annually. That is, they should receive 110% of their costs. They would then have to invest the 10% over-payment into capacity expansion and show this in their annual audit. These savings can only be spent on salaries and programs directly leading to capacity expansion and an application to licensing. If a home does not wish to expand, they should be at liberty not to. The county will certify

what levels are at 90% of capacity and the homes that wish to receive the expansion funding. We selected the 90% level because this seems to be the point where capacity quickly fills.

By moving from a 14-level system to articulated program-type levels, much more flexibility is built into the system, which should relieve some of the lack of capacity experienced in the RCL. This capacity expansion incentive provision (Recommendation 8) should be in effect in each county until occupancy drops below 90% and there is sufficient capacity to place children at appropriate care levels.

In addition, the state should work with counties to devise diversion strategies. If a county is at capacity for specific program type, they should be able to divert children to neighboring counties that have openings at the appropriate level of care. This is already commonplace, but it can be made more systematic and better coordinated among counties.

Recommendation 6: *There should be county or regional planning committees to examine and plan for future group and foster home capacity and services.*

Child and adolescent foster care is one of the only service areas in which future needs are unanticipated and unplanned. Demographic trends are one factor that impacts the need for group and foster home care. It would be sufficient in some counties to simply track population trends and children's problems in pre and elementary school. Social policies that separate children from parents, such as crackdowns on drug abusers, have obvious implications for foster care occupancy. The 2000 Census shows an increasingly youthful population in rural and Central Valley counties of California over the next decade. There is evidence of declines in young people in large, increasingly expensive coastal cities. Also the state population is increasingly diverse in culture. From just these points, we can hypothesize that there is going to be greater educational and group home needs in the cities of the California Central Valley, and in suburban counties. Service needs will eventually decline in the California's larger cities. There will probably be increasing numbers of Latino and Asian children as well to place in foster care in coming decades.

What is less obvious is the distribution of new placements by type of program needs. It will take formal study to anticipate more precise needs by sub-populations. But we are confident that, if enough time and attention were given to studying social trends and the need for group home and foster care placement, future care needs could be anticipated. A planning committee able to investigate trends and/or commission studies could conduct local planning of near term increases or decreases in foster care needs. With this done, action could be taken in advance to retire, realign (move homes from one level of care to the next), or increase capacity.

Related Issues

Even if the state amended its current rate system, streamlined administration, and adopted the child-centered, outcome-driven recommendations, getting sufficient funding for programs will continue to be in a predicament due to state and federal requirements regarding Medi-Cal, county general funds, school funds, federal emergency assistance money, and state re-alignment monies. The state group home burden will still be the annual audit, reporting to Community Care Licensing, and the program plan proposal. To keep all of these funding sources satisfied requires a large staff comparable to similar size businesses in the private sector and is prohibitive for the small provider. A way to remove this disincentive to running a group home is the next recommendation to the counties; a point suggested in the focus groups.

Recommendation 7: *The state and counties need to explore using bundled funding and interagency administrations to pay for group home services.*

Bundled funding is for the county to apply for, receive, and combine funds from a variety of sources, and then do reimbursements to service providers in and outside of group homes. The county focuses on funding applications to assure the availability of funds and to maintain accounting, while the provider focuses on services. The provider has only to provide sufficient records for county reporting. They do not have to also submit the initial applications, maintain multiple accounting for funds received, and report to multiple sources. This would be particularly helpful to small homes.

Another way to do bundled funding is through an interagency administration. Staff with authority in different agencies, such as education, public health, mental health, CalWORKs and Medi-Cal submit joint proposals or combine funds already at each other's disposal for bundled funding. The accounting and auditing can be done through one or the other's agency or through staff dedicated to the bundled projects. The complexity and workload of this proposal should not be underestimated.

There is yet another recommendation for reducing the administrative burden of service providers.

Recommendation 8: *Explore multi-year funding of base-rates and service programs.*

There is nothing sacred about re-applying annually for the same services one plans to deliver over a number of years. A way to further reduce paperwork and disincentive for small and large providers alike is to have multi-year approval and authorization for funding. The necessary budget reviews and audits can still go on to fulfill legal and external funders' requirements for annual audits. Multi-year funding would be very helpful for well-run programs and may reduce state administrative costs.

In Conclusion

We have addressed the legislative mandate to identify a foster care payment rate system that will better serve children in the state's group homes. We have reviewed the various alternative funding mechanisms proposed by the legislation as well as the experiences and systems used in other states. Equally as important, we have received consultation through statewide focus groups and survey from a wide-array of stakeholders among state and county administrations, associations, and group home providers. A client- or child-based payment system most closely meets the needs of all concerned and is consistent with the vision and goals articulated in *The Report*. Finally, we have provided analyses and recommendations for administrative provisions necessary for the successful operation of a child-based rates payment system because they are as important as the alternative rate recommendation.

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Group Care Re-exam Project
Child Focused Recommendations Placement Criteria Work Group Members
07/25/01

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Group Care Re-exam Project
Child Focused Recommendations Placement Criteria Work Group Members
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Appendix B

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Appendix C

Types of and Roles for Group Homes in California

FOCUS OF PROGRAM	PURPOSE	CLIENTS SERVED	CRITERIA FOR PLACEMENT	SERVICES BEYOND BASIC NEEDS (Board & Care, Education, Medical Care)	AFTERCARE	PROGRAM & LICENSING ISSUES	POTENTIAL FUNDING	VALUE ADDED (Why do it this way?)
Emancipation	To assist youth to: <ul style="list-style-type: none"> • Transition to adulthood • Create stable living situations • Obtain employment or admission to training program or higher education • Transition out of probation system • Obtain ID &/or driver's license 	Youth: <ul style="list-style-type: none"> • Who are unable or unwilling to live in a family setting, • Who are able to function without direct supervision 24/7 • Who will emancipate from the foster care system 	Youth: <ul style="list-style-type: none"> • Who need to learn to live interdependently; • Who require job readiness or vocational training; • For whom family home placement is not available or not desired or not appropriate 	<p style="text-align: center;">CORE</p> <ul style="list-style-type: none"> • Independent living skills • Employment prep including job skills and/or college prep • Support services to get a high school diploma, CHSPE or GED • Provide for transportation <p style="text-align: center;">AS NEEDED</p> <ul style="list-style-type: none"> • Specialty services provided by community & on-site as needed • Encourage jobs in community as indicated • Therapeutic services as needed • Transitional housing as needed • Drug/alcohol services as needed • Driver education as indicated • Supervised independent living experiences as indicated 	<ul style="list-style-type: none"> • Periodic follow-up, on-going mentoring and emotional support • Continued assistance to comply w/ terms and conditions of probation 	<ul style="list-style-type: none"> • CCL group home license or THPP • Regulations that promote individually appropriate independence, i.e. saving money, working outside the group home, no level system 	<ul style="list-style-type: none"> • Board & care with Foster Care Funds • Possible independent living, vocational, education funding • AB1913 Cardenas Shift funding • TANF • Education 	<ul style="list-style-type: none"> • Can maximize power of adolescent peer group programming and teaching independent living skills – excellent transitional opportunities
Life-skills	<ul style="list-style-type: none"> • To enable children or youth to live in a family setting 	Children or youth: <ul style="list-style-type: none"> • Who cannot be served safely or successfully in a family setting 	Children or youth who: <ul style="list-style-type: none"> • Cannot be served safely or successfully in family setting; • Are not demonstrating severe mental health or behavioral problems • Can live safely in the community with supervision. 	<p style="text-align: center;">CORE</p> <ul style="list-style-type: none"> • Tight structure, clear rules and expectations • Strong routine, emphasis on self-care and group living • Close coordination with schools • Work with family and community resources <p style="text-align: center;">AS NEEDED</p> <ul style="list-style-type: none"> • Therapeutic services as needed • Emancipation skills as needed • Connection to mentors as indicated • Drug/alcohol services as needed 	<ul style="list-style-type: none"> • Periodic follow-up and on-going support including in-home family/foster family therapy and support during child's transition to family living • Connection to mentors 	<ul style="list-style-type: none"> • CCL group home license 	<ul style="list-style-type: none"> • Board & care with Foster Care Funds • Education funding 	<ul style="list-style-type: none"> • Especially appropriate for children whose anxiety escalates in the intimacy of a foster family situation

Appendix C

Types of and Roles for Group Homes in California

FOCUS OF PROGRAM	PURPOSE	CLIENTS SERVED	CRITERIA FOR PLACEMENT	SERVICES BEYOND BASIC NEEDS (Board & Care, Education, Medical Care)	AFTERCARE	PROGRAM & LICENSING ISSUES	POTENTIAL FUNDING	VALUE ADDED (Why do it this way?)
Pregnant/ Parenting Minors	<ul style="list-style-type: none"> To assist pregnant and parenting minors to increase their parenting and independent living skills 	Minors who: <ul style="list-style-type: none"> Are pregnant or parenting; Cannot or may not live in a family setting 	Minors who: <ul style="list-style-type: none"> Are pregnant or have children Need self help and/or emancipation skills Need parenting skills 	<p style="text-align: center;">CORE</p> <ul style="list-style-type: none"> Child care Prenatal/Perinatal care Parenting training ILP <p style="text-align: center;">AS NEEDED</p> <ul style="list-style-type: none"> Adoption referral as indicated Child development center as needed Emancipation skills as needed Contact w/ absent parent as appropriate Drug/alcohol services as needed Work with family and community resources as indicated 	<ul style="list-style-type: none"> Periodic follow-up and ongoing support including in-home family/foster family therapy and support during youth's transition to family living 	<ul style="list-style-type: none"> CCL licensed 	<ul style="list-style-type: none"> Board & care with Foster Care Funds Infant supplement Block grant 	<ul style="list-style-type: none"> Improve parenting skills and offer support to parenting teens
Emergency Shelter & Assessment	To provide children and youth: <ul style="list-style-type: none"> Temporary shelter Comprehensive assessments 	<ul style="list-style-type: none"> Children or youth who require short-term emergency shelter care 	Children or youth who: <ul style="list-style-type: none"> Have been removed from their families or from an out of home placement May need immediate assessment 	<p style="text-align: center;">CORE</p> <ul style="list-style-type: none"> 24 hour admissions 24 hour awake supervision Immediate screening Immediate link with school Immediate Medical Screening (if funding for RN provided) Ability to provide one-on-one staffing Ability to segregate children/youth to resolve a safety risk Crisis services <p style="text-align: center;">AS NEEDED</p> <ul style="list-style-type: none"> Immediate family visitation as allowed by court (provided allows 24 hour admissions) Work with family and community resources as indicated Drug/alcohol services as needed Mental Health Services as needed Comprehensive assessment as needed 	<ul style="list-style-type: none"> Facilitate appropriate records transfer 	<ul style="list-style-type: none"> CCL group home license May have other licenses such as medical clinic Highly variable occupancy 	<ul style="list-style-type: none"> Board & care with Foster Care Funds Title IV-B General Fund 	<ul style="list-style-type: none"> Provides great flexibility Allows time to find appropriate, more successful placement Allows community based Comprehensive assessments More children going directly home or to successful placement from shelter because of comprehensive assessments and appropriate services

Appendix C

Types of and Roles for Group Homes in California

FOCUS OF PROGRAM	PURPOSE	CLIENTS SERVED	CRITERIA FOR PLACEMENT	SERVICES BEYOND BASIC NEEDS (Board & Care, Education, Medical Care)	AFTERCARE	PROGRAM & LICENSING ISSUES	POTENTIAL FUNDING	VALUE ADDED (Why do it this way?)
Residential Treatment (RTP) (Mental Health Oriented)	<p>To assist children and youth to:</p> <ul style="list-style-type: none"> • Increase their level of functioning, and decrease negative functioning • Increase their ability to manage disability • Stabilize • Transition into appropriate long care plan • Assist children and youth to reunify with their families or transition to a less restrictive level of care 	<p>Children and youth:</p> <ul style="list-style-type: none"> • With serious emotional disturbance; • Who have a Statistical Manual (DSM) IV diagnosis; • Who cannot be safely treated in a family setting 	<p>Children and youth who:</p> <ul style="list-style-type: none"> • Are at risk of being a danger to self or others • Need intensive clinical services • Need intensive supervision 24/7 	<p style="text-align: center;">CORE</p> <ul style="list-style-type: none"> • Intensive clinical and psychiatric treatment • 24 hour awake supervision • Nurse on duty during awake hours (some have 24-hour nursing) • Behavior management • Therapeutic activities: e.g. movement, art, recreation as indicated • Appropriate discharge planning service for transition age youth • Crisis response <p style="text-align: center;">AS NEEDED</p> <ul style="list-style-type: none"> • Crisis response as needed • Specialized group therapy as needed • Special education school as needed • Family therapy & parent support as needed • Hospital back-up as needed • Day treatment as needed • Assessment/Diagnostics as needed • Intensive foster care/wrap around services as needed • Drug/alcohol services as needed • Wilderness/rural component 	<ul style="list-style-type: none"> • Periodic follow up and ongoing support • Facilitate appropriate records transfer 	<ul style="list-style-type: none"> • Explore alternatives to license category/regulations, • Explore mental health certification as an option (as in Rehabilitation Program) • Education certification as special education non-public school • Possible medical clinic certification • Oversight staff have familiarity with issues 	<ul style="list-style-type: none"> • Mental Health services Funded primarily through Title XIX 	<ul style="list-style-type: none"> • Shorter lengths of stay • Earlier ID of illness • Reduce placement failure in lower or inappropriate level of care

Appendix C

Types of and Roles for Group Homes in California

FOCUS OF PROGRAM	PURPOSE	CLIENTS SERVED	CRITERIA FOR PLACEMENT	SERVICES BEYOND BASIC NEEDS (Board & Care, Education, Medical Care)	AFTERCARE	PROGRAM & LICENSING ISSUES	POTENTIAL FUNDING	VALUE ADDED (Why do it this way?)
Residential Treatment (RTP) (Behavior Management Oriented)	<ul style="list-style-type: none"> To assist children and youth with increasing their ability to function in the community 	Children & Youth: <ul style="list-style-type: none"> Who have serious behavioral needs; For whom the primary diagnosis is conduct disorder or substance abuse; Or have a history of sex offenses 	Children and Youth: <ul style="list-style-type: none"> Who demonstrate high risk behavior Who need intensive supervision 24/7 Who need intensive behavior management intervention 	<p style="text-align: center;">CORE</p> <ul style="list-style-type: none"> Behavior management and socialization Individual Mental Health services Crisis response <p style="text-align: center;">AS NEEDED</p> <ul style="list-style-type: none"> Specialized group therapy as needed Therapeutic activities as needed Family therapy & parent support as needed Program may include positive peer culture if indicated Well defined educational component as needed Independent living skills instruction as needed Strong emphasis on vocational or job skill training as needed Drug/alcohol services as needed Wilderness/rural component 	<ul style="list-style-type: none"> Periodic follow up and ongoing support Facilitate appropriate records transfer 	<ul style="list-style-type: none"> CCL group home license Possible Alcohol Drug Program certification 	<ul style="list-style-type: none"> Board & care with Foster Care Funds Expand ADP funds Education/ Independent Living/mental Health funding 	<ul style="list-style-type: none"> Better fit of population needs and treatment Reduced recidivism Increased attention to substance abuse issues

Appendix C

Types of and Roles for Group Homes in California

FOCUS OF PROGRAM	PURPOSE	CLIENTS SERVED	CRITERIA FOR PLACEMENT	SERVICES BEYOND BASIC NEEDS (Board & Care, Education, Medical Care)	AFTERCARE	PROGRAM & LICENSING ISSUES	POTENTIAL FUNDING	VALUE ADDED (Why do it this way?)
Community Treatment Facilities (CTF) (Mental Health Oriented)	<ul style="list-style-type: none"> • Provide stable short-term placements for clients who may need secure containment to benefit from treatment 	<p>Children or youth who:</p> <ul style="list-style-type: none"> • Are seriously emotionally disturbed; • Are at risk of acute care, out of state hospital placement or who require secure environment to benefit from mental health treatment; • Demonstrate the highest level of service need 	<p>Children or Youth who:</p> <ul style="list-style-type: none"> • Need secure environment for protection • Have intensive mental health needs requiring 24 hour professional/ medical supervision • Are at risk of hospitalization or being placed in acute care facility 	<p>CORE</p> <ul style="list-style-type: none"> • Mental Health specialty services, may include: <ul style="list-style-type: none"> - Intensive clinical and psychiatric services - Day treatment - Medication • Around the clock supervision • Capacity for secure containment • 24 hour nursing staff <p>AS NEEDED</p> <ul style="list-style-type: none"> • Higher minimum staffing qualifications • Educational services as needed • Family counseling as indicated • Crisis response as needed • 24 hour nursing staff as needed • Specialized group therapy as needed • Therapeutic activities as needed • Family therapy & parent support as needed • Well defined educational component as needed • Independent living skills instruction as needed • Vocational or job skill training as needed • Drug/alcohol services as needed 	<ul style="list-style-type: none"> • Periodic follow up and ongoing support • Facilitate appropriate records transfer 	<ul style="list-style-type: none"> • Certified by MediCal provider • DMH certifies and monitors mental health program 	<ul style="list-style-type: none"> • Mental health funding • Board & care with Foster Care Funds • State General Fund • County General Fund 	<ul style="list-style-type: none"> • Increased probability that SED children will be placed in less restrictive environs within their own communities rather than out of state, acute or state hospital care • Increased chances to maintain family connections, stability and permanency • Children and youth being sent out of state may now be treated in-state

Appendix D

BEST PRACTICE PLACEMENT OF CHILDREN IN GROUP HOMES

Principle: The best interests of the child should be considered when placing a child in an out-of-home care setting. Consistent with the Welfare and Institutions Code (WIC)...the decision regarding choice of placement, shall be based upon selection of the least restrictive or most family like setting, selection of the environment best suited to meet the child's special needs and best interest, or both. (WIC 16501.1)

Children placed in group home settings will be assessed as needing a structured and/or therapeutic environment due to emotional and/or behavioral needs. Group home placements are often utilized for emergency placement settings, for children entering the foster care system, as well as for children who have been assessed as requiring that level of care to meet their special needs.

This document proceeds from the premise, agreed upon by the workgroup, that regarding non-emergency placements in group homes, the child has already received the necessary assessments, has a needs and services plan, and has been reviewed by any multi-disciplinary teams required for placement review, including placement of any child in an out-of-state group home facility, or with special health needs. For proposed placements in out-of-state group homes, the multi-disciplinary team assessment and recommendation, must be submitted to the Court prior to placement. Assessments should assess child and family strengths and needs and be consistent with CDSS Best Practice Guidelines for Assessment of Children and Family.

This document sets forth best practice guidelines for placement of children and ongoing supervision in emergency and non-emergency situations.

EMERGENCY PLACEMENT	COUNTY STAFF	GROUP HOME STAFF
<p>Child assessed as needing structured setting to meet his/her specific needs.</p> <p>An emergency placement is made either:</p> <p>(a) When a child is removed from his/her home due to abuse or neglect and is placed pending detention and the jurisdictional and dispositional hearing, or</p> <p>(b) Child is removed from a regular placement and is in need of a placement pending further assessment and search for a regular assessment.</p>	<ul style="list-style-type: none"> • Provide to Group Home all known information about the child at time of placement, including but not limited to: <ol style="list-style-type: none"> 1. Dangerous Propensities 2. Medical needs/health conditions/medications 3. Known behavioral health information/ psychotropic medication 4. Educational Information 5. Any other pertinent available information • Provide information about obtaining emergency and routine medical treatment including psychotropic medication. • Provide emergency medical consent signed by parent, court or county staff as soon as available and no later than two weeks following date of placement. • Provide placement, treatment and educational history information as soon as possible and no later than two weeks after the date of placement. For example: Current Individual Education Plan (IEP and any other treatment plans) • Provide emergency numbers to Group Home so that immediate response to crises can be secured • Arrange for Mental Health Screening, if needed • Ensure that internal documentation of placement and payment occur no later than 30 days following the first of the month, following the month of placement 	<ul style="list-style-type: none"> • Identify whether or not the Group Home is appropriate to meet the emergency needs of the child. • Inform the Group Home direct care staff that this is an emergency placement. • Inventory child's belongings upon arrival. • Ensure the child's availability for interviews and court appearances related to Detention, Jurisdiction, and Dispositional Hearings. • Ensure child's telephone call within 1 hour of placement • Ensure child's availability for visitation with parents/relatives/siblings and work with county to provide supervision for visitation when necessary. • Post the 800 number of the state Ombudsperson and inform the child as to the function and availability of the Ombudsperson and provide any other 800 number. • Enroll the child in an appropriate school setting after the detention hearing which will ensure that the child's educational needs are met. • Provide a thorough Orientation for the child within 24 hours of placement for the child. The Orientation will include,

EMERGENCY PLACEMENT	COUNTY STAFF	GROUP HOME STAFF
	<ul style="list-style-type: none"> • Keep the child informed as to the name of his/her current Social Worker/Probation Officer and telephone number. • Inform the child of the name and telephone number of his/her attorney, CASA and/or Advocate. 	<p>but not be limited to the following: house rules, expectations, allowances, the therapeutic program, the daily routine discipline, awards, a tour of the facility, introductions to staff and residents, location of the Group Home and the educational facility the child will attend, an explanation of “shifts,” a discussion of who the child can talk to about concerns, including the State Ombudsperson, visitation rules, where relevant telephone numbers are posted, and any other areas deemed necessary for a successful placement.</p> <ul style="list-style-type: none"> • Post a written copy of the child’s rights and inform the resident of it’s content and location. • For a child placed longer than 30 days, provide a written summary regarding the child’s progress during placement to the county placing agency upon request from that agency. • Ensure compliance with CHDP medical and dental requirements.

TRANSITION EMERGENCY TO REGULAR GROUP HOME PLACEMENT	COUNTY STAFF	GROUP HOME STAFF
<p>A child is placed in a group home on an emergency basis, should have a thorough assessment to determine his/her needs and whether a less restrictive setting could meet those needs.</p> <p>The child's wishes should be considered when determining placement.</p>	<ul style="list-style-type: none"> • Maximize advance notice to the child and Group Home of any planned placement changes. • Include child in placement discussions/options and consider their preference. • Keep the Group Home Staff and child informed of placement plans and discuss placement possibilities. • Review appropriateness of continued placement with Group Home within 30-90 days of date of emergency placement. <ol style="list-style-type: none"> 1. Convert current placement to regular placement or 2. Prepare to move child • If child is to be moved, give no less than 7 days notice to both child and Group Home and all other participating agencies/parties, unless an emergency regarding child safety exists. • If decision is to convert shelter placement to regular placement, engage in activities in (Regular Placement) that have not already been completed. 	<ul style="list-style-type: none"> • Provide relevant information that will help in the development of the child's case plan goal. • Work with Group Home direct care staff to understand child case plan goal and commit to that goal. • Participate in discharge planning prior to end of placement and complete written discharge summary at time of discharge. • Ensure minor's inventoried personal belongings go with him/her at discharge.

REGULAR PLACEMENT	COUNTY STAFF	GROUP HOME STAFF
<p>A child placed in a group home placement, has been assessed as needing a structured or therapeutic environment to meet his/her specific needs</p> <p>A child's strengths and needs, as well as family strengths and needs, and how the Group Home can utilize those strength's in treatment plans, will be identified</p> <p>Identification of child's areas of interest and recreational needs, to build skill development and self esteem, will be an important element for the minor in a Group Home placement's program</p>	<ul style="list-style-type: none"> • Discuss placement options with child and consider the child's preferences • Provide to Group Home all known information about the child at the time of placement, including, but not limited to: <ol style="list-style-type: none"> 1. Dangerous Propensities 2. Medical needs/health conditions/medications 3. Known behavioral health information/psychotropic medication 4. Educational Information 5. Any other pertinent available information • Advise Group Home of child's case plan goal(s) • Meet with the prospective group home staff in order to provide as much information as is needed/desired prior to placement • Develop a mutually agreeable pre-placement plan • Arrange for pre-placement and placement transportation for the child and his/her belongings at the time of placement • Sign placement forms (SOC 154) at the time of placement and provide a copy to the Group Home • Provide emergency telephone numbers to the Group Home so that immediate response to crises can be secured 	<ul style="list-style-type: none"> • Review and evaluate the appropriateness of the child's referral for placement in the facility considering the child's needs, the existing program and services and other children in the Group Home • Explore all known issues prior to placement including county case plan goals • Develop a mutually agreeable pre-placement plan with placing county • Provide a thorough Orientation with 24 hours of the facility for the child as soon as possible. The Orientation will include, but not be limited to the following: house rules, expectations, allowances, the therapeutic program, the daily routine, discipline, awards, a tour of the facility, introductions to staff and residents, location of the Group Home and the educational facility the child will attend, an explanation of "shifts," a discussion of who the child can talk to about concerns, including the State Ombudsperson, visitation rules, where relevant telephone numbers are posted, and any other areas deemed necessary for success in completing the Group Home program

REGULAR GROUP HOME	COUNTY STAFF	GROUP HOME STAFF
	<ul style="list-style-type: none"> • Provide the child with the county emergency telephone number, his/her Social Worker/Probation Officer telephone number, and the statewide CDSS 800 Ombudsperson's telephone number. • Ensure that internal documentation of placement and payment occur in a timely manner. • Send copy of court report to child (if age appropriate) and the recommendations to the Group Home Staff. • Keep the child and Group Home informed as to current name and telephone numbers of Social Worker/Probation Officer and any changes will be conveyed immediately or as soon as reasonably possible. • Provide visitation plan with family and siblings, telephone numbers of siblings and family as identified in the case plan. 	<ul style="list-style-type: none"> • Ensure court reports are given to child/youth upon receipt from placement agency. • Develop a specific child's needs and service plan.

ONGOING CASE MANAGEMENT	COUNTY STAFF	GROUP HOME STAFF
<p>County staff is responsible for monitoring and supervising a child's placement.</p> <p>Group Home Staff is responsible for ensuring the safety and well-being of the child in their facility.</p> <p>This is accomplished through an open and cooperative relationship between both County and Group Home Staff, the child and the families appropriate.</p>	<ul style="list-style-type: none"> • Provide a visitation schedule with the child and family and any other party in the case plan. • Adhere to the agreed-upon visitation schedule which may be modified in consultation with all parties unless otherwise ordered by the Court. • Provide information regarding changes in case plan and work with the Group Home to collaborate on treatment changes as needed; agree to meet to discuss possible modifications during monthly contacts. • Provide information regarding changes in treatment needs and work with the Group Home to modify treatment plans. • Be responsible for preparing recommendations to the Court and distributing Court Report recommendations to Group Home. • Provide timely response to requests for authorization to provide treatment, including signed releases. • Respond to calls from Group Home staff and child in a timely manner. • Visit child monthly or more often as necessary to meet the child's needs. 	<ul style="list-style-type: none"> • Responsible for ensuring that appropriate and timely educational, medical, dental and behavioral services are provided, by the child's existing providers when possible, including obtaining and maintaining appropriate authorization for administering psychotropic medication to children. • Administration of psychotropic medication requires prior court authorization or prior written parental consent. In emergency situations pertaining to the use of psychotropic medication, the Group Home agrees to immediately contact the county Social Worker and to follow local county protocols regarding the use of psychotropic medication. • The Group Home will include independent Living Program (ILP) activities consistent with the needs and services plan of the youth, for youth 16 and older. Emancipation planning will start for youth 14 and older. • Ensure child's availability for the established visitation plan and provide supervision for visitation if necessary. • Allow for unplanned visitation by the county Social Worker/Probation Officer. • At a minimum, agrees to provide for the basic necessities required by the child including food, clothing, shelter and education, in addition to regular Social Work supervision and mental health services as described in the Group Home's Program Statement.

ONGOING CASE MANAGEMENT	COUNTY STAFF	GROUP HOME STAFF
		<ul style="list-style-type: none"> • Provide information regarding changes in treatment needs and work with the county to modify treatment plans. • Appear at Court Hearing if requested and to consult with Social Worker/Probation Officer, prior to the Court appearance. • Provide timely child-specific Quarterly Reports to the assigned Social Worker/Probation Officer. • Provide transportation to appointments, including visitation, medical, dental, recreation and ILP, or related activities consistent with the needs and services plan of the child. • Provide all incident reports, including Serious Incident Reports (SIR), to CCL, CDSS and the county Social Worker/Probation Officer according to regular placement. • For out-of-state placements, all Serious Incident Reports (SIR) sent to CDSS Social Worker/Probation Officer according to regular placement.

TERMINATION/DISCHARGE FROM REG. PLACEMENT	COUNTY STAFF	GROUP HOME STAFF
<p>Discharge from group home placement should be planned and include the child in the discharge planning. This planning should begin at intake and documented in the Needs and Services Plan. In some cases, this is not possible, due to child's behavior, court's order, or immediate availability of a more appropriate setting.</p>	<ul style="list-style-type: none"> • Provide advance notice of the termination of placement as soon as this possibility exists. This is at least a 7 day notice unless an emergency regarding child's safety exists. • Assist the child, family and Group Home staff in understanding the need for placement change. • As appropriate, allow Group Home staff to participate in transitional continuing activities as supported by the case plan. 	<ul style="list-style-type: none"> • Assist in the implementation of County Plans leading to discharge and termination of placement. • Provide all information necessary for new placement or reunification. • Make the child available for pre-placement and pre-unification visits as required by the County. • Provide 7-day notice if requesting removal of child, unless emergency regarding child's safety exists. • Ensure child's inventoried belongings are available and accompany the child upon discharge. • Provide County with written discharge summary within 5 working days.