Wisconsin Department of Children and Families

Rate Regulation Review Final Report

May 10, 2021

PUBLIC CONSULTING GROUP

Solutions that Matter

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I. Background and Overview

Introduction

Scope of Work

PCG performed a business process assessment of the current rate structure and existing rate regulation process to identify gaps and provide recommendations for process improvement. PCG partnered with DCF, counties, and providers to ensure a transparent process that results in objective recommendations that will streamline rate processes while simultaneously complying with Family First and DCF's strategic goals.

Key Tasks

Phase 1: Project Initiation and Management
July 1 – July 12

- Project kickoff meeting
- Finalize project management approach

Phase 2: Business Process Assessment of DCF Rate Regulation
July 15 – October 19

- Analysis of cost reports and rate materials
- Summarize cost report data
- Engage DCF and Counties on process
- Engage stakeholders to review costs for services and QRTP compliance
- Review rate calculation methodology and document deficiencies/gaps
- Present initial findings to DCF
- Prepare first draft of business process analysis and recommendations report

Phase 3: Review and Revise Findings and Support DCF
October 20 – Present

- Discuss recommendations with DCF and revise the final report

II. Methodology

a. Data Collection
b. Stakeholder Interviews

a. Data Collection

DCF provided the following files to PCG for review and analysis

Sample Contracts

- Shelter Care
- Group Home
- Residential Care Centers

Policy and Procedures Documents

- Licensing checklist (Group Homes, Residential Care Centers and Shelter Care Facilities)
- Chapin Hall and Chadwick Center report on the Effective Reduction of Congregate Care
- Notes from January rate discussions
- Residential rate recommendations from 2018 working group
- RCC nursing costs memo

Family First Documents

- QRTP Extended Placement Decision Paper
- Placement Process Summary
- QRTP Timeline Options
- WI Trauma Informed Care Model
- After Care Decisions Paper
- Nursing Decision Paper
- WAFCA report on Child Welfare Reform in WI
- CANS Training

County Funding Documents

- Children and Families Allocation Presentation
- Title IV-E FFMB Presentation

Cost Data

- DCF Provider Payments (2017-2019)
- Rate Program Split Procedures
- Aggregated cost reports (2019-2020)
- 2020 Rate calculation workbook

Provider Documents

- WAFCA Overview of Historical Provider Issues with Rate Regulation

PCG reviewed the following files that were publicly available

Performance based measures

- 2019 & 2018 Permanency outcomes- CPA, GH and RCC
- 2019 & 2018 Sustainability outcomes- CPA, GH and RCC

Rates

- DCF Rates 2018-2020- GH, CPA and RCC
- Blank cost report

County Allocations

- 2020 County allocations

Provider lists

- CPA, GH and RCC provider lists

Title IV Resources

- IVE Claiming Overview
- IVE Reimbursement Policy Manual
- IVE State Plan

b. Stakeholder Meetings

During August and September, PCG conducted 30 total meetings with representatives from DCF as well as with both provider and county stakeholders to solicit feedback on the rate regulation process. The meeting schedule is outlined below.

Conducted **30** **total** meetings

Spoke with **representatives** from **72** **counties**

Conducted **listening sessions** with **18** **Providers**

DCF Staff		County Staff		Providers	
DCF Rate Team	July 31	WCHSA PAC	August 7	Provider Forum	July 9
DCF Executive Leadership	August 4	Northeast Financial Managers	August 20	WAFCA Leadership	August 10
DCF Budget and Finance	August 4	Northeast Directors	August 28	CPAs	August 26 and September 8
DCF Program Team	August 4	Northern Directors and Financial Managers	August 27	Group Homes	August 26 and September 1
DCF Licensing	August 12	Southeast Directors and Financial Managers	August 21	RCCs	August 25 and September 9
DCF Title IV-E	August 12 and October 1	Southern Financial Managers	August 18	Genesee	September 8
DCF QRTP Workgroup	August 13	Southern Directors	August 21	Lutheran Social Services	September 10
DCF Cost Reports	October 6	Western Financial Managers	August 14		
		Family First Stakeholder Group	August 27		
		DMCPS Rate Setters	September 1		

b. Stakeholder Meetings: Questions Asked

For All Stakeholders

- What are the strengths of the current rate regulation process?
- What are the pain points of the current rate regulation process?
- Do you believe the rate regulation process is perceived as fair and transparent? Is it working as intended?
- What improvements would you suggest in the rate regulation process?
- What factors will go into how you establish new costs associated with Family First, such as aftercare?

For Counties

- Do you have enough in the county budget to fund services and resources?
- When do counties need to be notified about rate regulation changes? (i.e if there are large increases to rates, for budgeting purposes when do counties need to be notified)?
- If your county pays extraordinary payments to RCCs, how does that process work?
- Do you feel like you are getting the right array of services for what you are paying?
    - Any compromise in quality? Thing you'd be willing to pay more for to have in-state? Where are the services where we have gaps?
    - Do you have a way of tracking the types of funding you are using to pay providers (i.e. if a provider's daily rate is $300/day, what percent of that is state funds vs. county funds vs. other federal funding?)

For Providers

- Please provide an overview of your organization, service levels, and general population demographics.
- Cost Reports
    - Do you have feedback about the annual cost reporting process? What can be done to make this process less burdensome?
    - Does your agency receive adequate training and/or technical support?
    - Does the cost report support your agency's expenses and future investments?
- Service Provision
    - What types of items or services would you provide if your agency had more resources?
    - What changes should be made to incentivize providers to accept higher-needs placements?
- Do you currently operate with any of the Family First QRTP requirements (on-call nursing/clinical staff, accreditation, aftercare, trauma-informed staff training)?
- How often does your agency submit an extraordinary rate? Please provide any feedback regarding this process.

***Note*: PCG vetted these questions with DCF before stakeholder meetings began. Questions naturally deviated from this list based on stakeholder feedback during each meeting.**

III. Findings and Recommendations

Findings

Findings and Recommendations

The findings and recommendations in this section summarize PCG's most salient observations from our stakeholder engagement sessions and review of rate regulation data/files available as well as recommendations to address these findings. To help illustrate the significance of each finding and recommendation, PCG grouped findings using the following coding system:

Red: The finding has an impact on DCF funding for foster care and/or the quality of care for children in Wisconsin's foster care system. It should be addressed quickly by DCF.

Yellow: The finding may have an impact on DCF funding and/or the quality of care for children in Wisconsin's foster care system. It does not appear to be as time sensitive as the red findings.

Green: The finding was raised by stakeholders. Based on PCG's review of DCF's rate regulation system and comparison to other states, minimal action is recommended.

Key Theme

Provider rates are not aligned to specific standards of service. DCF and Counties pay high rates for non-therapeutic services which vary significantly by each provider.

- The current provider rates in WI are higher than is typical for non-therapeutic residential programs in other states. Unlike other states, special education costs are included in Wisconsin's payment rates, which are a driver for higher rates.
- Many children with complex needs are served out of state because the state lacks programs to specifically meet their needs and providers are not required to serve children with specific needs.
- Program rates are driven by provider costs. To better align programs and rates to children's needs, program specifications need to be developed to support a continuum of residential services, and rates standardized by service level. The current licensing standards can provide a solid foundation on which to build these specifications.

Findings

1. Lack of Capacity (the right bed, at the right time, for the right duration)

- Counties sometimes place children in programs that do not precisely meet their needs due to lack of appropriate or specialty services.
- There is a reliance on out-of-state providers for children and youth with complex needs. RCCs lack services needed for higher acuity kids, and the extraordinary rate does not always work in practice because RCCs cannot hire staff on demand for kids with 1:1 needs.

2. Lack of Universal Program Expectations/Standards

- There is a lack of clarity/specificity around placement program expectations on which to base the rates. The average cost per day in RCC programs is $448.72, which is comparable to what other states pay for specialized, therapeutic settings; yet stakeholders reported a need for more specialized programs. This suggests a disconnect between what providers are being paid for and what is needed.
- Providers are not held financially accountable for outcomes.

3. Need for Therapeutic Foster Homes

- Children are placed in group homes and RCCs when they may not require that level of care. CPAs serve children and youth at an average cost of about $20K per child, versus $66K per child served by RCCs.
- Children who may need a higher level of care do not have access to supportive therapeutic foster homes or full-time, professional foster parents, which may lead to out-of-state placements.

Findings

4. Uncapitalized Federal Funding and Changes in Federal Requirements

- DCF does not access Medicaid directly for its provider rates. There is a high-cost burden for counties, and they report that they need additional funding to cover expenses.

5. Lack of County Involvement in Rate Regulation Process

- While counties are required to pay for all out-of-home expenditures, they are either minimally or not at all involved in determining provider rates. This results in counties making purchasing and placement decisions without knowing what they are buying and what outcomes to expect.
- County budgets are not considered in the rate regulation process.

6. Rate Calculation Transparency

- The rate calculation workbook includes calculations and formulas that cannot be seen when providers enter their cost data. This results in providers not having full understanding of how their cost data is used to calculate the annual rate.

Findings

7. Cost Report Process

- Wisconsin's cost report process is not unnecessarily complicated. However, PCG noted the following areas which could be improved:
    - The cost report is more tailored for GHs and RCCs and poses challenges to capture CPA costs, making it more time consuming for CPAs to complete the report and more difficult to analyze the data.
    - PCG received feedback about providers not always leveraging their ability to enter assumptions in the cost report based on a lack of understanding. Additional training on how the cost report works would improve provider knowledge to improve cost report completeness and perceived transparency, especially the assumptions worksheet and how rates are calculated. Therefore, many factors which would help make the rate more prospective are not factored into provider rates.
    - QRTP costs are captured on the Assumptions tab but not the additional worksheets.

8. Maximum Rate Calculations

- For providers with high costs, the maximum rate calculation may not cover all their costs.

9. RCC Education Costs

- RCC providers (10 of 11) reported 12% of their total personnel expenditures are spent on education staff, including teachers, aides, principals, etc. In most states, these costs are typically funded by local education authorities, and not through child welfare agencies.

Recommendations

Recommendations

1. Create a defined placement continuum – from CPA family-based settings to specialty residential settings and QRTP – with standardized program specifications and level of service expectations for each placement type within the continuum.

- Define staff ratios, staff credentials, clinical expectations, training requirements, occupancy rates and level of service for each placement type and base the rates on these expectations.
- Align the rate to program specifications and level of service. Rate regulation should explicitly define the continuum of care, including updated staff ratios, for each placement type, and there should be a mechanism through the rate setting process to align the rates to the established specifications.
- Analyze CANS data and case data and engage counties and the provider community in designing the continuum. Use the CANS data to match kid's needs with placement settings.
- The continuum should also include any programs targeted toward specialized populations and specific therapeutic interventions for higher acuity children.

2. Establish capacity for each newly defined placement type to assure the right bed at the right time.

- Determine the number of beds needed at each placement type and ideal geographic location across the state.
- Utilize an assumption of 90% capacity for facility-based program rates unless the state or counties believe there is a compelling reason for the program to maintain additional excess capacity (such as shelter programs).
- DCF should develop specified referral acceptance and denial policies to promote transparency, consistency, and accountability with the goal of keeping children in a residential setting in their geographical area.
    - Any acceptance and denial policy should be in-line with treatment interventions offered at a residential program and identify the necessary staffing levels, staffing credentials and staff trainings for program models.

Recommendations

3. Shift capacity to Therapeutic Foster Homes.

- Create distinct per diems for foster care to support foster parents caring for children with complex needs and consider increasing the maximum payment for higher levels of care.
- Re-calculate group home rates utilizing the assumption of 90% capacity as described in Recommendation #2 to shift additional funding to therapeutic foster care and reduce reliance on group homes.
- Step down or divert children from RCCs or out-of-state placements into therapeutic foster homes to fund the investments. Build additional foster home capacity over time as children are stepped down or diverted from RCCs.
- Recruit and license additional therapeutic foster homes and explore a professional foster care model to build additional capacity.
    - For example, Wraparound Milwaukee, Illinois, and Texas utilize full-time, professional foster parents.

4. Support CPAs to successfully serve children and youth with complex needs.

- Create financial incentives for CPAs to successfully meet the needs of complex children and to serve children in the least restrictive settings. For instance, create a bonus structure for CPAs who accept and successfully serve children with complex needs.
- Meet with CPAs and foster/kinship families to identify additional methods to support them (peer supports, wraparound services, etc.). Investing in more support would ultimately save dollars by reserving RCC utilization for when it's really needed.

Recommendations

5. Utilize rate regulation to capture required QRTP costs.

- Revise the rate regulation process as needed and communicate changes.
- This recommendation should be implemented at the same time as *Recommendation 1 and Recommendation 10* as to not increase total provider rates, except for where necessary, as DCF's rates in residential facilities are in alignment with states that have already established QRTPs. See *QRTP Recommendations for more detail.*

6. Revise the cost report process.

- Create a separate cost report for CPAs.
- Train providers on how to use the assumptions worksheet in the cost report.
- Expand cost report training sessions to incorporate details about the rate calculation methodology.
- Update cost reports to collect QRTP and Family First related expenses from all providers, outlined below. This should be created in addition to the current Assumptions tab. *See QRTP Recommendations for more detail.*
    - Trauma-Informed Care Support
    - Additional Family Engagement
    - 24/7 On-Call Nursing Staff
    - 24/7 On-Call Clinical Staff
    - Accreditation
    - Aftercare

Recommendations

7. Enhance the current provider scorecards to represent total average cost per child in addition to level of need and outcomes to provide a more holistic understanding of the associations between costs and outcomes.

- Use the data to inform placement decisions and system capacity needs.
- Develop performance-based incentives and penalties.

8. Create a system of shared ownership among the state, counties, and providers to better serve children across the state of Wisconsin.

- Streamline the placement process regionally to provide consistency in communication, contract requirements, and overall process flow.
- Streamlining the placement process regionally would require both providers and counties to equally coordinate their needs and availability.

Recommendations

9. Reviewing, implementing and possibly accessing Medicaid Rehabilitation Option (RO) and Targeted Case Management (TCM) funding could allow DCF to better subsidize its congregate care programs (RO for congregate care treatment services and TCM for private or state case management services).

- PCG understands that most QRTP requirements and costs are not developed yet in Wisconsin (like many states). Once QRTP requirements and costs are developed, DCF also needs to consider the funding available as ACF has clarified in program guidance that it shall be the payer of last resort (after CMS, which also considers itself the payer of last resort for Medicaid funding).
- As an alternative to QRTP conversion, DCF should also work with DHS to assess if there are additional programs which offer intensive treatment services and have more than 16 beds that could qualify as Institutions for Mental Diseases (IMDs). To access Medicaid funding for children under 21, these programs would need to function as accredited psychiatric facilities, or a "Psychiatric Residential Treatment Facility" (PRTF).

10. Share education costs with DPI and/or local education authorities.

- Share special education costs (teachers, principals, on-site school personnel) with local education authorities and/or the Wisconsin Department of Public Instruction.

Source: CMS QRTP, SMI and SED Technical Assistance Q&A:
https://www.medicaid.gov/federal-policy-guidance/downloads/faq092019.pdf

QRTP Recommendations

Based on Recommendation #6, the cost report should be updated to collect QRTP and Family First related expenses. The following table outlines our rate recommendations for QRTPs.

QRTP Requirement	Current Process	Programmatic Recommendations	Rate Recommendations
Aftercare	• Many providers do not provide aftercare. If they do, it is in a very limited capacity.	• Require in the service standards that each QRTP provider is offering aftercare services. • Develop a tiered rate structure for aftercare services based on the level of need.	• Utilize the cost report process to collect aftercare costs. • Create the structure of the separate, tiered aftercare rate.
Family Engagement	• Providers may engage families in child treatment programs already, but this is not discernable from the cost report data.	• Require in the service standards that each QRTP provider have a methodology and process for engaging with families.	• Increase payments (for QRTP providers), if necessary, by an amount that ties to contract requirements for family engagement. This may include a markup for the additional direct care staff time, mileage expenses and/or other staff time.

Source: Family First Prevention Services Act, Sec. 50741: https://www.congress.gov/115/plaws/publ123/PLAW-115publ123.pdf

QRTP Recommendations

QRTP Requirement	Current Process	Programmatic Recommendations	Rate Recommendations
Accreditation	• Providers report very limited accreditation expenses in the cost reports. This is reported in the Assumptions tab.	• Require in the service standards that all QRTP programs meet the accreditation requirement.	• Continue using the assumptions tab but also capture ongoing accreditation costs discretely as noted in *Recommendation 6.* • Like other QRTP costs, expenses associated with accreditation should be included in payments to QRTP providers.
Trauma-Informed Treatment Model	• Providers may utilize trauma-informed treatment models, but this is not discernable from the cost report data.	• Require in the service standards that QRTPs utilize trauma-informed treatment models. • Set training and support standards.	• Through the cost report process, include provider costs for training within current payment rates for QRTP providers.

Source: Family First Prevention Services Act, Sec. 50741: https://www.congress.gov/115/plaws/publ123/PLAW-115publ123.pdf

QRTP Recommendations

QRTP Requirement	Current Process	Programmatic Recommendations	Rate Recommendations
Nursing	• Providers report very limited nursing expenses in the cost reports.	• Require in the service standards that all QRTPs have 24/7 nursing coverage.	• Through the cost report process, include QRTP provider costs for 24/7 on-call coverage based on minimum staffing hours and statewide market pay.
Clinical	• Providers report limited clinical expenses in the cost reports, with RCCs employing significantly more clinical staff than GHs.	• Require in the service standards that all QRTPs have 24/7 clinical staff coverage.	• Through the cost report process, include QRTP provider costs for 24/7 on-call coverage based on minimum staffing hours and statewide market pay.

Source: Family First Prevention Services Act, Sec. 50741: https://www.congress.gov/115/plaws/publ123/PLAW-115publ123.pdf

IV. Analysis

a. Cost Reports
b. DCF Payment Data
c. Performance Rating and Rate Comparison
d. Personnel Cost Analysis

a. Cost Reports

RCC, GH and CPA Cost Report Analysis Summary

- **Other State Alignment:** The cost report data aligns with what other state providers report.
- **Low GH Occupancy Percentage:** The occupancy percentage is low for group homes (70%). This inflates the daily rate because costs are divided by fewer days of care.
- **CPA Data:** CPA cost report data was difficult to compare to GHs and RCCs because one cost report is used by RCC, GH and CPA providers.

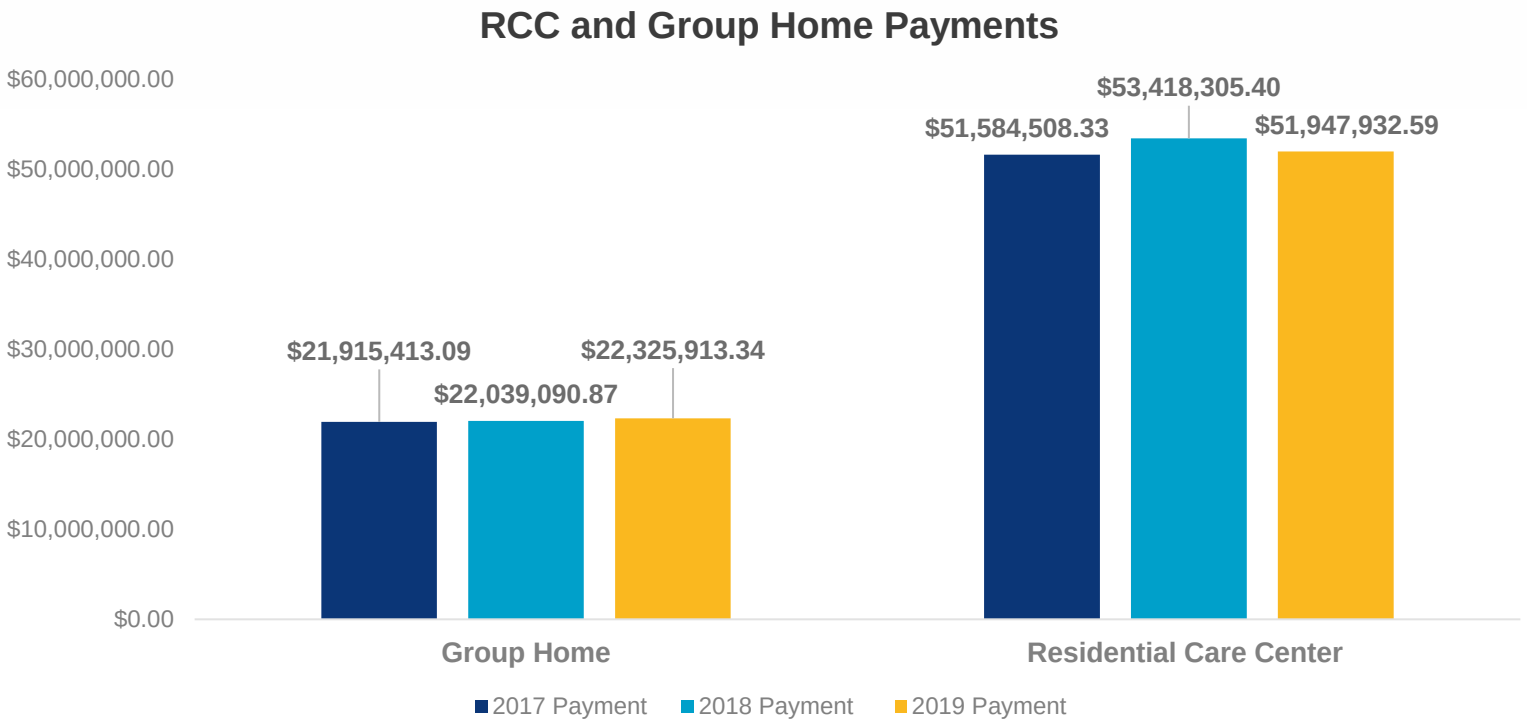
Provider Type	Rate	Daily Placement	Occupancy %	Occupancy	Travel	Furniture and Equipment	Consumables	Personnel
CPA	$74.09	38.2	79%*	$54,962	$36,786	$14,161	$216,024	$671,995
GH	$223.18	4.5	71%	$30,955	$11,988	$3,197	$70,881	$271,281
RCC	$387.05	19.5	90%	$237,533	$49,823	$31,870	$514,418	$2,390,780

*This figure comes directly from the cost report. According to DCF, this CPA number is calculated based on Placement # / Staffed Beds

Note: All values reflected in averages Please see the appendix for additional cost report analysis.

b. DCF Payment Data

RCC and Group Home Payments

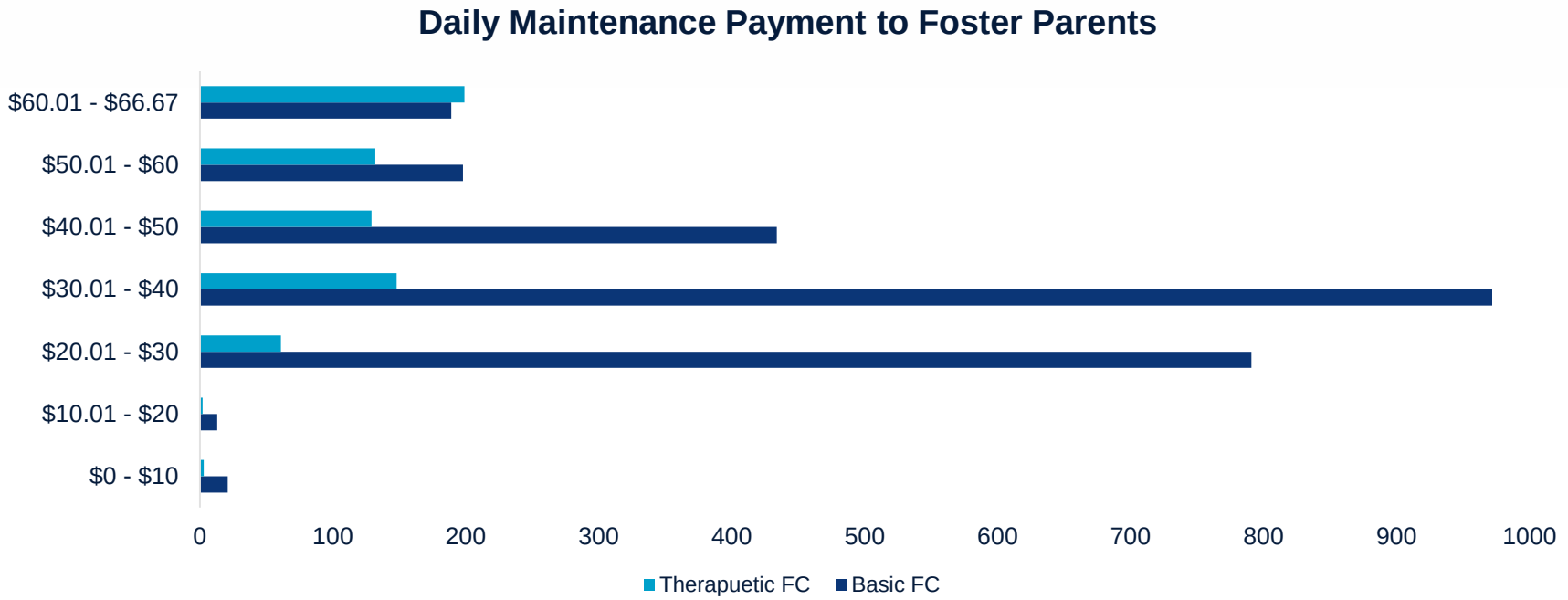


Out of the three years examined, DCF paid the most to RCC's in 2018. The graphs shows an increase from 3.5% from 2017. RCC's payments decreased 2.75% in 2019. Out of the three years examined, DCF paid the most to GH's in 2019. The graphs shows an increase from 1.3% from 2018.

Percent Change	2017-2018	2018-2019
Group Home	0.56%	1.30%
Residential Care Center	3.55%	-2.75%

All payment and personnel data was gathered from Wisconsin's' SACWIS system and does not account for children placed from out of state.

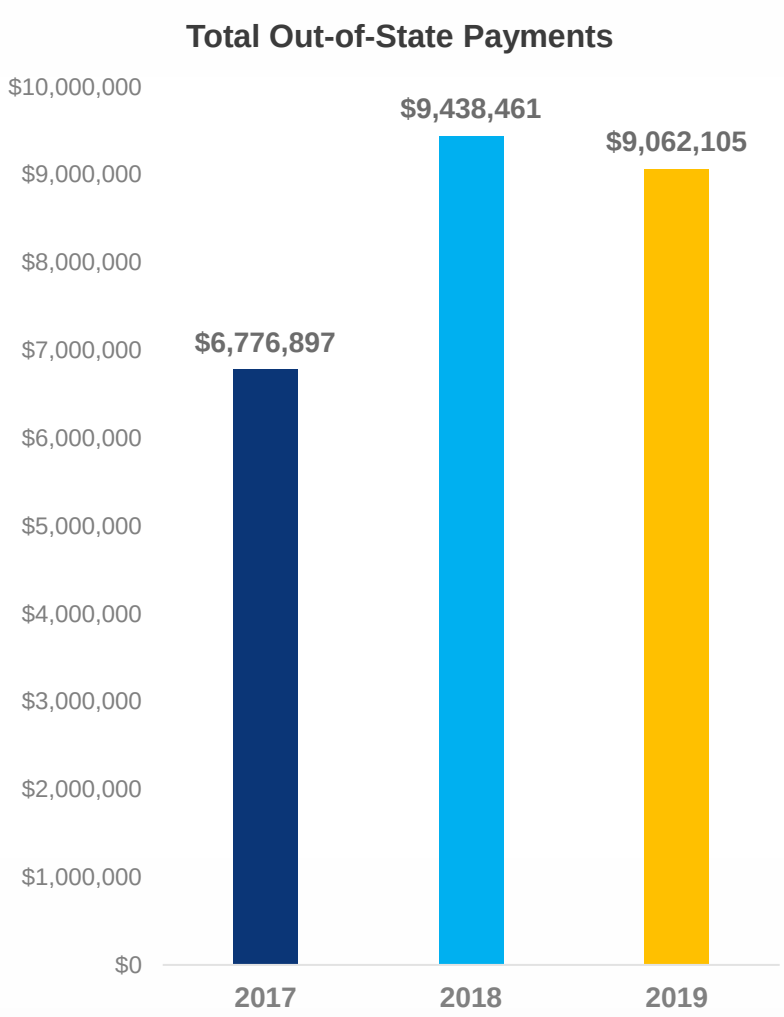
CPA Maintenance Payments

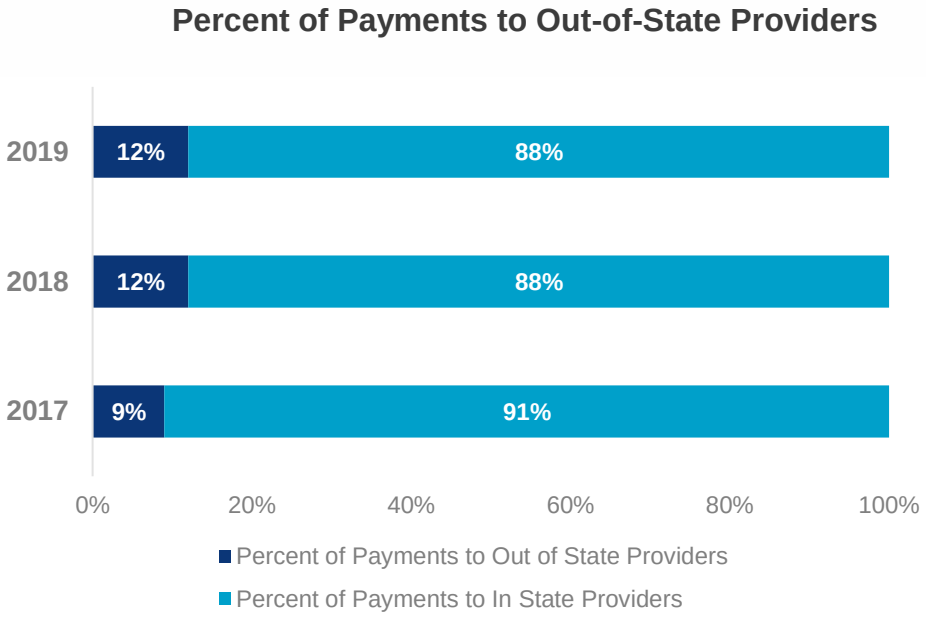


Foster parents receive a foster care rate that is based on three components: the basic maintenance rate, supplemental rate, and the exceptional rate, whereas the supplemental rate is determined by a child's CANS score and the exceptional rate is implemented for children with "significant needs." Of the ~2600 children who received a foster care maintenance payment in November 2020, 86% also received a supplemental payment and 76% received an exceptional payment.

- This process creates a large variance between rates, demonstrated in the graph above.
- A process with such a large variance between rates isn't easily understood by CPAs or foster parents
- No monthly payment for the combined Basic Maintenance Rate, Supplemental Rate, and Exceptional Rate may be above $2,000 per month (~$67/day), which may not be adequate for children with exceptional needs.

DCF Out-of-State Payments





Out-of-state payments make up 9-12% of total provider payments. There was a large increase in payments to out-of-state providers from 2017 to 2018. The number of out-of-state payments decreased in 2019.

c. Performance Rating and Rate Comparison

Performance Based Rate Comparison

PCG used the outcome measures assigned in Wisconsin's Performance Based Measures (PBM) Dashboard to assign a weighted score to each provider based on how many outcomes were reported for each measure. This was then cross walked with provider rates; PCG also considered the average CANS score and Median Stay Length in days in our comparison. CPAs produce favorable outcomes for children at a significantly lower cost per child than RCCs ($13K compared to $66K). While the children served also differ in their needs, there is an opportunity to create more therapeutic foster family capacity to reduce RCC utilization and costs. ***PCG recommends using the data below to enhance the current provider scorecards to show total average cost per child, level of need, and outcomes to give DCF a more holistic understanding of the associations between costs and outcomes.***

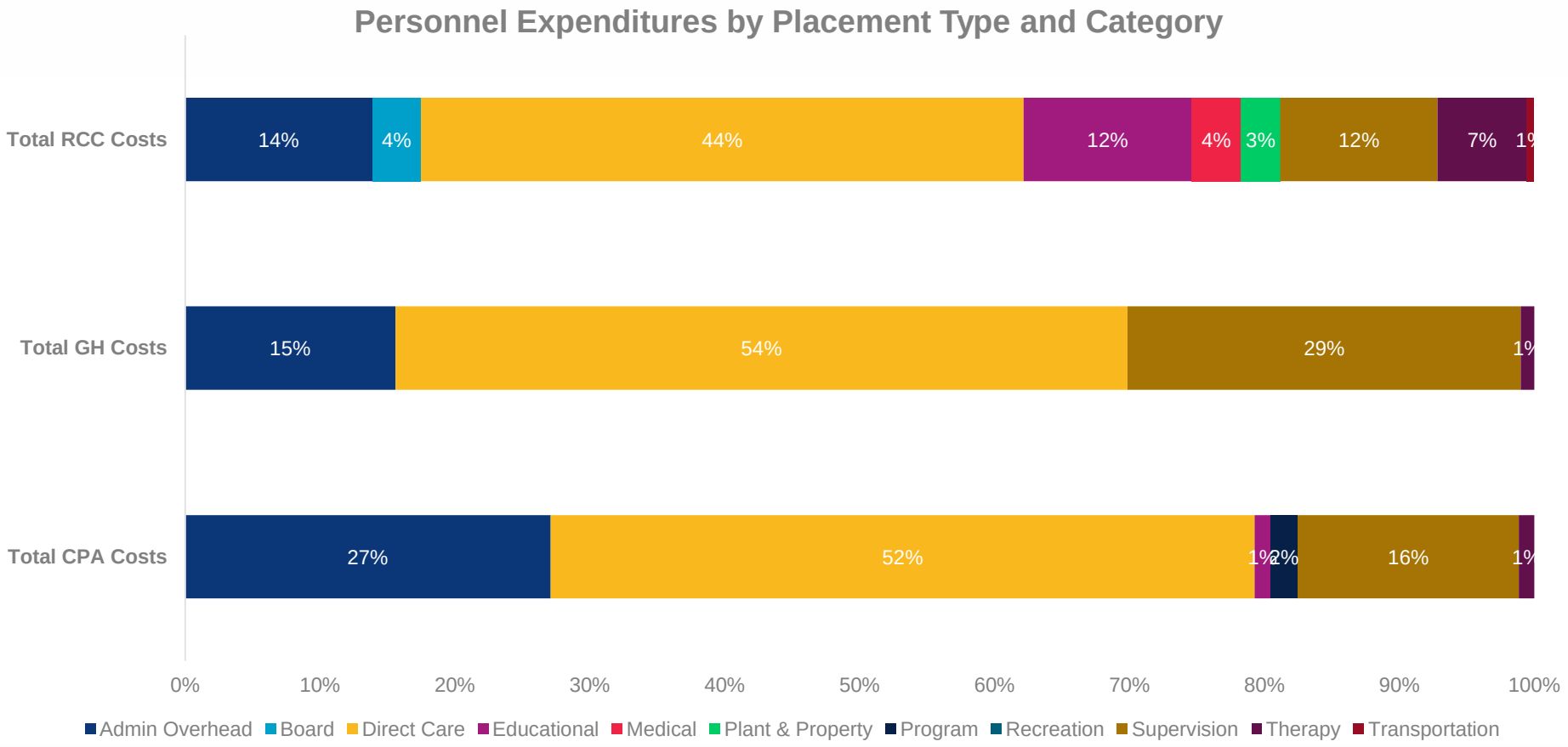
Provider Type	Length of Stay (days)	2019 Rate	Actual Cost (Length of Stay * Rate)	Level of Need	Weighted Outcome Score**
CPA	189	$106.20	$ 20,071.54	3.4	3.78
Group Home	48	$217.65	$ 10,447.40	3.67	2.74
RCC	167	$399.74	$ 66,556.71	4.21	3.66

*All values are reflected in averages except for Length of Stay, which is the median value.

**The weighted outcome score was calculated by assigning a numerical value to each performance measure (ranging from 1 for Poor and 6 for Optimal), adding together all numerical values for each Provider, then dividing by total outcome scores reported for each Provider.

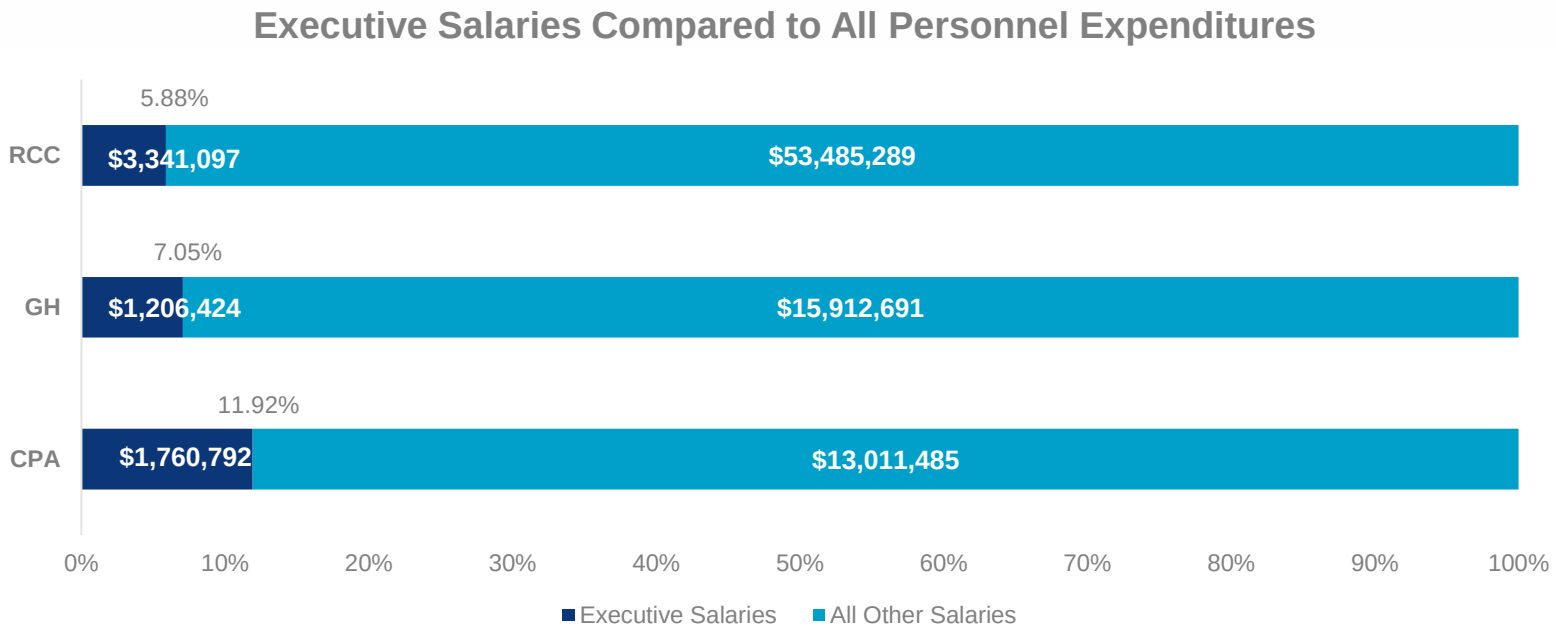
d. Personnel Cost Analysis

Personnel Cost Analysis



On average, 48% of provider spending on personnel is related to Direct Care while 16% is tied to Administrative overhead. The charts below show total percentage of costs in each category by provider type.

Executive Salaries



The graph illustrates the executive staff salaries as a percentage of all other salaries. For this analysis, the following positions were classified as executive staff:

- Chief Executive Officer / President
- Chief Financial Officer
- Chief Operating Officer
- Human Resources Director
- IT Director
- Principal / Director
- Program / Agency Director

Solutions that Matter