



A FOLLOW UP ON THE LOSS OF FEDERAL FUNDS FOR CHILDREN AND YOUTH IN RESIDENTIAL CARE

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Changes in federal Medicaid requirements, effective July 1, 2010, resulted in the loss of an estimated \$18 million in federal Medicaid funding to the Division of Child and Family Services (DCFS). Medicaid funding had previously been used to pay providers for treatment services for youth in the state's custody as a result of findings of abuse, neglect, delinquency, or dependency. In its 2010 General Session, the Legislature appropriated \$14 million one-time and ongoing General Fund to DCFS in response to the loss of federal Medicaid funding. DCFS has utilized other management strategies to make up the difference in the loss of federal funding. For a detailed discussion of the origin of this issue, see the issue brief *Loss of Federal Medicaid Funds for Children and Youth in Residential Care* (2010 General Session) at: <http://le.utah.gov/interim/2010/pdf/00000405.pdf>. This brief is for information purposes only. No Legislative action is required.

BACKGROUND

This brief provides a follow up look at a significant loss of federal funding used to help finance the DCFS program *Out of Home Care*. DCFS describes its Out of Home Care program as follows:

Out-of-Home Services provides for the care and supervision of children who are ordered by the courts to be removed from home and placed in agency custody, primarily due to child abuse, neglect or dependency because the children could not be maintained safely at home. Children receiving out-of home services are cared for in the homes of relatives or in foster family homes, proctor homes, residential treatment facilities, or other appropriate settings, based upon each individual child's needs. While receiving out-of-home services, the Division is responsible to meet the child's medical, dental, mental health, developmental, educational, social, and other needs. Out-of-home services includes care and maintenance costs, such as room and board, supervision, clothing, personal incidentals, mental health services, and other support services. Delivery of out-of-home services is provided in accordance with federal law (Social Security Act, Title IV-E, Section 472). Out-of-Home-Services . . . [provides] substitute care . . . while seeking to safely return the child home or to enable the child to have another permanent family, such as permanent placement with a relative, an adoptive family, or guardianship with a non-relative. Out-of-Home Services also seeks to maintain connections of the child with their parents, siblings or other family members, when safe and appropriate, to strengthen relationships between foster children and those who are providing their care, and to ensure that children's needs are met while in care.

Total Out of Home Care expenditures in FY 2010 were \$44,713,531. The basic components of the Out of Home Care budget are who will pay for it (state or federal government or some other source of funding) and what is being paid for - or the expenses. Expenses of the program are determined by: 1) the number of children and youth involved, 2) the intensity of the services being provided, and 3) the rates being paid for each of the services provided.

COMPARISON OF REVENUES BETWEEN FY 2010 AND FY 2011

Between FY 2010 and FY 2011 revenues used to pay for children and youth in Out of Home Care settings were affected by five factors:

1. \$18 million loss of federal Medicaid funds to help finance the program in FY 2010 no longer available in FY 2011.
2. \$14 million addition of General Fund (\$7 million ongoing and \$7 million one-time) to help offset the loss of federal Medicaid funding.
3. \$4.0 million Out of Home Care building block appropriated by the Legislature.
4. \$2.5 million net reduction in ARRA funds offset by an equivalent increase in the General Fund.

A FOLLOW UP ON THE LOSS OF FEDERAL FUNDS FOR RESIDENTIAL CARE

5. Restructuring how Medicaid bills are paid by replacing direct provider billing to DCFS (acting as a Medicaid intermediary) for mental health services with direct provider billing through the Department of Health (DCFS now acting solely as the payer of the state *match* requirement).

COMPARISON OF COSTS BETWEEN FY 2010 AND FY 2011

Between FY 2010 and FY 2011 costs for children and youth in DCFS Out of Home Care settings were affected by four factors:

1. Implementation of federal Medicaid policies including the *unbundling* of mental health services (billing separately for each category of service provided).
2. Disallowance of Medicaid coverage for some expenditures previously paid for when billed in a single (*bundled*) rate.
3. Restructuring of residential facility requirements in connection with new Medicaid policies.
4. Implementation of *bidding* for residential treatment contract rates.

CHILDREN IN CUSTODY

The number of children in custody as of June 30, 2010 was 2,881. The number of children in custody as of June 30, 2011 was 2,701.

REVENUE AND EXPENDITURES FOR OUT OF HOME CARE (COMMUNITY RESIDENTIAL CARE)

Table 1 shows community residential care actual revenues and expenditures for FY 2010 and FY 2011 and estimated revenue and expenditures for FY 2012 and FY 2013.

Child and Family Services - History of Out of Home Care					
	FY 2009	FY 2010	FY 2011	FY 2012 Estimated	FY 2013 Estimated
Revenue					
General Fund	21,276,800	16,596,100	35,316,200	33,749,400	33,698,300
Collections - Office of Recovery Services	2,530,786	2,465,243	2,388,210	2,390,000	2,390,000
Federal Social Services Block Grant (SSBG)	194,400	140,265	-	225,000	225,000
Medicaid/Match/ARRA/Admin Fees^	19,942,803	19,406,820	(4,343,394)	(6,042,200)	(6,123,000)
Federal Title IV-E of <i>Social Security Act</i>	4,949,787	4,352,211	5,943,073	6,240,000	6,240,000
Transfers	830,227	578,711	402,419	400,000	400,000
Year End Nonlapsing Funds	(221,285)	1,174,181	2,949,900		
Total Revenue	49,503,518	44,713,531	42,656,408	36,962,200	36,830,300
Expenditures					
Foster/Proctor Care	16,475,933	16,221,794	14,762,525	14,886,197	14,886,197
Residential Treatment	20,227,817	16,145,361	11,111,401	9,514,063	9,514,063
Individualized Residential Care	7,424,750	7,421,653	9,593,275	10,234,294	10,234,294
Other - Respite, Peer Parent, Tracking	5,375,017	4,924,723	1,586,621	1,745,549	1,745,549
Total Expenditure - DCFS	49,503,517	44,713,531	37,053,822	36,380,103	36,380,103
Claims billed directly to Health Dept.		-	7,297,200	7,739,600	7,739,600
Total DCFS and Health Claims	49,503,517	44,713,531	44,351,022	44,119,703	44,119,703
Surplus/Deficit*			5,602,586	582,097	450,197

See Note 2 below

See Note 4 below

See Note 1 below

Source: Division of Child and Family Services (modified for presentation purposes)

^ No American Recovery and Reinvestment Act, or ARRA, is expected for FY 12 or FY 13

Note 1: DCFS has non-lapsing authority for Out of Home Care for FY 12. Estimates suggest that non-lapsing funds not needed for FY 12 or 13.

Note 2: Federal Title IV-E revenue for FY 13 includes an increase of \$296,927 over FY 11, which is included in the funding request.

Note 3: FY 12 expenditures and changes in Medicaid state match requirements (negative revenue) were calculated based on the 3rd and 4th quarters of FY 11 and annualized for FY12. These quarters better reflect expected ongoing costs. The first two quarters of FY 11 were a transition period between the former process and the new process.

Note 4: Total claims for FY 2010 were \$28,659,900 and are incorporated into Foster/Proctor, Residential Treatment and Individualized Residential Care category expenditures.

Table 1