

July 2005

## RESIDENTIAL TREATMENT CENTER AND RESIDENTIAL CHILD CARE FACILITY PAYMENT SYSTEM STUDY - BACKGROUND MEMORANDUM

Section 15 of 2005 House Bill No. 1012 (attached as Appendix A) provides for a Legislative Council study of the services provided by residential treatment centers and residential child care facilities and the appropriateness of the payments provided by the state for the services.

### PREVIOUS STUDIES

The 2001 Budget Committee on Institutional Services studied, pursuant to Section 22 of Senate Bill No. 2012, residential treatment centers and residential child care facilities, including occupancy rates, the number of out-of-state residents, and the need for additional facilities. The committee learned that foster care facilities were not reimbursed for the full cost of providing services to these children and as a result were required to raise approximately 33 percent of their funding needs from private sources. The primary funding concern for residential child care facilities during this time was the state's service rate reimbursement which was capped at \$300 per month (approximately \$10 per day) per child. This payment provided reimbursement for approximately one-half of the actual costs of providing services to these children at the foster care facilities. The committee did not make any recommendations regarding its study of residential child care facilities and residential treatment centers.

The 1999 Budget Committee on Government Services, pursuant to Senate Concurrent Resolution No. 4001, monitored mental health and foster care services, including methods used to place children in residential child care facilities and residential treatment centers, methods of setting and levels of reimbursement for residential child care facilities and residential treatment centers, and items of legislative intent regarding mental health and foster care services. The committee reviewed reimbursement rates for foster care families and facilities and the procedures involved in child placements. The committee reviewed the Department of Human Services procedures involved in developing reimbursement rates for residential child care facilities and group homes. The committee learned that the Department of Human Services, through its administrative rulemaking authority, develops procedures for reimbursing providers of services to children in group homes and residential child care facilities. Based on these procedures, after the close of the fiscal year, each facility prepares a cost report on its expenditures for the previous fiscal year and projections for

the subsequent year which are submitted to the Department of Human Services. The cost reports are used to develop each facility's foster care reimbursement rate for maintenance (room and board) and service functions. Subsequent to the submission of the cost reports, the Department of Human Services provider audit section audits the cost report information to adjust or confirm the new rates that become effective when the audit is complete. The committee learned that during 2000 the department was in the process of changing the administrative rule provisions relating to the residential child care facility and group home reimbursement system.

The committee recommended that the Legislative Assembly, through its Appropriations Committees, review the status of the administrative rule changes affecting residential child care facility cost reimbursements and evaluate the following components of the reimbursement system:

1. The limit on social service rate reimbursement.
2. The limit on salaries eligible for reimbursement.
3. The limit on administrative costs eligible for reimbursement.
4. The ineligibility for reimbursement of expenditures made with donated or grant income.

### CHILDREN IN FOSTER CARE

The following schedule presents the unduplicated number of children in the North Dakota foster care system for recent years:

Placement Type	Federal Fiscal Year				
	2000	2001	2002	2003	2004
Residential child care facility or residential treatment center	577	540	619	604	555
Group home	125	109	127	125	120
Family foster home	875	835	824	932	912
Relative placement	237	240	276	328	383
Preadoption home	154	166	157	160	207
Other	10	39	18	34	28
Total	1,978	1,929	2,021	2,183	2,205

### FACILITIES AND PAYMENT RATES

A schedule of the licensed residential child care facilities and group homes and residential treatment centers, as well as the number of licensed beds in each facility and June 2005 payment rates, is attached as Appendix B.

## STUDY PLAN

The committee may wish to proceed with this study as follows:

1. Receive information from the Department of Human Services regarding the types of services provided by residential child care facilities and group homes and residential treatment centers and methods of determining payment rates for each facility.
2. Receive testimony from representatives of residential child care facilities and group homes and residential treatment centers regarding services provided and the appropriateness of payment rates for these services.
3. Consider alternative methods of determining payment rates for residential child care facilities and group homes and residential treatment centers for services provided.
4. Receive testimony from other interested persons relating to the residential treatment center and residential child care facility payment system study.
5. Develop committee recommendations and any legislation necessary to implement the recommendations.
6. Prepare the committee's report for the Legislative Council.

ATTACH:2

### 2005 LEGISLATIVE ACTION

The 2005 Legislative Assembly added \$475,944, of which \$71,630 is from the general fund, to the Department of Human Services 2005-07 biennium appropriation for increasing the maximum treatment services payment for residential child care facilities by \$3.49 per day, from \$11.51 to \$15 per day. As a result, it is anticipated that 9 of the 14 residential child care facilities and group homes will receive increased payments.

### FUNDING FOR FOSTER CARE FACILITIES

The following schedule presents the Department of Human Services estimate of foster care payments made to residential child care facilities and group homes and residential treatment centers for the 2003-05 and 2005-07 bienniums:

2003-05 Biennium			
	General	Federal	Other
<b>Residential child care facilities/group homes</b>			
Room and board	\$3,122,288	\$14,594,140	\$3,768,676
Treatment/services	477,094	1,273,964	71,989
Total	\$3,599,382	\$15,868,104	\$3,840,665
<b>Residential treatment centers</b>			
Room and board	\$932,632	\$4,359,289	\$1,125,709
Treatment/services	3,140,857	7,191,998	
Total	\$4,073,489	\$11,551,287	\$1,125,709

2005-07 Biennium			
	General	Federal	Other
<b>Residential child care facilities/group homes</b>			
Room and board	\$2,993,360	\$16,611,999	\$4,676,382
Treatment/services	910,982	1,719,872	139,982
Total	\$3,904,342	\$18,332,871	\$4,816,364
<b>Residential treatment centers</b>			
Room and board	\$894,120	\$4,962,026	\$1,396,841
Treatment/services	3,817,404	6,945,700	
Total	\$4,711,524	\$11,907,726	\$1,396,841