MEMORANDUM

JOINT BUDGET COMMITTEE

TO	Members of the Joint Budget Committee
FROM	Robin J. Smart, JBC Staff (303-866-4955)
DATE	January 5, 2017
SUBJECT	S.B. 16-201 (Concerning Revising the Child Welfare Funding Mechanism)

This memorandum contains an analysis of recommendations made by the Child Welfare Allocations Committee and the Department of Human Services pursuant to S.B. 16-201. **JBC Staff recommendations can be found on pages 4 and 8 and include potential legislation for the Joint Budget Committee's consideration.** The information contained herein will be included in the Staff figure setting presentation for the Division of Child Welfare, unless the Committee elects to have it presented at an early date.

For the Committee's reference, the following sections are contained in this memo:

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S.B. 16-201 UPDATE

During the 2016 Legislative Session, the Joint Budget Committee (JBC) sponsored S.B. 16-201 (Concerning Revising the Child Welfare Funding Mechanism). This bill required the Department of Human Services to convene a group of stakeholders to review the rate-setting process for provider compensation in order to determine if changes to the process are recommended. Recommendations for changes to the rate-setting process, including the new methodology, were to be submitted to the Joint Budget Committee and the Child Welfare Allocations Committee (CWAC) by December 15, 2016. In addition to the above, S.B. 16-201 required the Child Welfare Allocations Committee to consider whether a restructuring of child welfare funding policy is advisable, and if so, submit any recommendations to the JBC by December 15, 2016. Finally, beginning in FY 2017-18, the bill requires the CWAC to submit an annual report by January 1st of each year to the JBC (in addition to the appropriate committees of reference) that includes the results of a regular assessment of the methods for the evaluation of and reporting on the allocation, use, sufficiency, and effectiveness of

funding and services paid for by line items from which allocations are made to counties. This memorandum provides a summary of recommendations submitted to the JBC by each designated group and the JBC Staff analysis and recommendation concerning the two topics.

CHILD WELFARE FUNDING POLICY

SUMMARY OF CHILD WELFARE ALLOCATIONS COMMITTEE RECOMMENDATION

Pursuant to S.B. 16-201, in June 2016 the Child Welfare Allocations Committee convened three subcommittees to discuss child welfare funding structure, strategies for funding flexibility, and child welfare employee job enrichment and retention. The subcommittees gathered information from interested parties including those identified in the bill and submitted recommendations to the JBC on December 15, 2016. A summary of the recommendations follows, however the full report can be found in Appendix A of this memo.

RECOMMENDATIONS REQUIRING NO STATUTORY CHANGE

Based on stakeholder input, the CWAC recommends that:

- The Department conduct an annual caseload analysis to capture changes in assessments, referrals, and involvements by county.
- A new workload study be completed by July 2019 to capture changes included, but not limited to:
  - Operational efficiencies obtained through Trails Modernization; and
  - Updated estimates for time required to complete mandated child welfare activities.
- Additional funding be provided to increase county level child welfare case aide, case worker, and supervisor FTE until there are enough resources to fulfill the workload recommendations, including adequate funds to support competitive salaries in the various counties and regions throughout the state.
- Additional funding be provided to increase training for county child welfare staff in order to increase workforce retention.

RECOMMENDATIONS REQUIRING STATUTORY CHANGE

Based on stakeholder input, the CWAC recommends that changes to the Family and Children's Programs statutes be made to allow up to 15.0 percent of the funding to be used to close-out the Child Welfare Block allocation at the end of each fiscal year.

JOINT BUDGET COMMITTEE STAFF ANALYSIS OF CWAC RECOMMENDATIONS

CWAC RECOMMENDATIONS REQUIRING NO STATUTORY CHANGE

According to S.B. 16-201, the CWAC was tasked with: 1) soliciting input from interested county commissioners, directors of county departments of human or social services, county child welfare directors, county financial officers, the Department of Human Services, and the Joint Budget Committee; 2) considering whether or not a restructuring of child welfare funding policy is advisable; and 3) submitting findings and recommendations to the JBC by December 15, 2016. This bill specifies that any recommendation from the CWAC include the input from stakeholders and that it may include standards for a new allocations model for child welfare funding and an evaluation process. This bill does not require that any changes be made to child welfare funding policy.

The CWAC recommendations that require no statutory change appear to support activities associated with submission of an annual report to the JBC and appropriate committees of reference, including a regular assessment of evaluation methods, allocation of funds and use of funds by counties, and effectiveness of funding and services funded through the allocations. JBC Staff is not opposed to these recommendations but does not believe that they fall specifically within the parameters of S.B. 16-201. Though these recommendations are more appropriately addressed by the Department during the annual budget process, Staff's recommendation concerning child welfare provider rate-setting may serve to support some of them. Please see the Child Welfare Provider Rate-Setting Methodology section below.

CWAC RECOMMENDATIONS REQUIRING STATUTORY CHANGE

Counties receive funds to provide approved child welfare services in the form of two block allocations: the Child Welfare Block from the Child Welfare Services line item and the Core Services Block from the Family and Children's Programs line item. Pursuant to Section 26-5-102 (2), C.R.S., objectives of child welfare services and related delivery systems reforms include a focus on quality and outcome-driven services, and a more efficient and responsive service systems for children and families. These services are intended to promote health, safety and well-being of children, promote the best interest of the child, reduce risk of future maltreatment, avoid unnecessary placement of children in foster care, facilitate speedy reunification of parents with children, and ensure there is no discrimination when placing children. Regardless of the funding source, service delivery for a child and family is categorized by program area for which specific types of funding can be used.

The Core Services Program was established in 1994 to provide: 1) intensive services for families where a child is at risk of an out-of-home placement, and 2) phased-in services aimed at reunifying families where a child has been placed out of the home. The program is designed to provide family preservation services defined as services or assistance that focus on family strengths and includes services that empower a family by providing alternative problem-solving techniques, child-rearing practices, responses to living situations that create stress upon the family, and resources that are available as support systems for the family. The goals of the program include: safely maintaining children/youth in the home; returning children/youth home; promoting the least restrictive out-of-home setting for children (including adoptive and foster homes); and providing services for families at-risk of involvement in the child welfare system. Similar to the Child Welfare Block, if counties spend more than the capped allocations, they are responsible for covering any shortfall with other funds. Unlike the Child Welfare Block, however, Core Services funding may only be used to pay for the delivery of therapeutic services for children and/or youth either at home or in out-of-home placement. It may not be used to fund the cost of program administration or out-of-home placements. If the Child Welfare Block allocation is underspent, funds may be transferred from it to cover over-expenditures in the Core Services allocation. If the Core Services allocation is underspent, excess funds **may not** be transferred to cover Child Welfare Block over-expenditures.

The CWAC has recommended that statutory language be changed to allow up to 15.0 percent of an annual Core Services block allocation to each county to be used to close-out the Child Welfare Block allocation. In the past three years, the Core Services Block has been underspent, as indicated in the table below. During that same period, the Child Welfare Block has been underspent for two years.

CORE SERVICES COUNTY ALLOCATIONS				
	Total County Allocations	Total County Expenditures	(Over)/Under Expenditures	Percent (Over)/Under Expenditure
FY 2013-14	$51,605,244	$49,831,310	$1,773,934	3.4%
FY 2014-15	$52,900,325	$51,447,206	$1,453,119	2.7%
FY 2015-16	$53,803,031	$53,321,993	$481,038	0.9%

CHILD WELFARE BLOCK COUNTY ALLOCATIONS				
	Total County Allocations	Total County Expenditures	(Over)/Under Expenditures	Percent (Over)/Under Expenditure
FY 2013-14	299,914,074	285,049,953	14,864,121	5.0%
FY 2014-15	327,670,467	320,871,463	6,799,004	2.1%
FY 2015-16	332,937,214	335,311,664	(2,374,450)	(0.7%)

While over- and under-expenditures can vary at the county level, close-out of each block grant provides for over-expenditures in a given set of counties to be covered by under-expenditures in the remaining counties. Though it may appear reasonable for excess Core Services Block funds to be used to cover over-expenditures of the Child Welfare Block, JBC Staff does not support this recommendation for two reasons:

- The Family Preservation Act was passed with the purpose of ensuring that the family structure is maintained and out-of-home placements are minimized. Eligible administrative costs may already be covered by Core Services dollars if identified in the state approved county plan. In addition, county administrative costs associated with the delivery of all child welfare services are eligible expenditures under the Child Welfare Block grant. Core Services dollars are in place to ensure the shift in practice from extensive out-home-placement use, therefore JBC Staff believes that maintaining the integrity of this source of funding will continue to encourage counties to shift practice accordingly.
- The issue of child welfare provider compensation and rates has consistently been raised during the state budget process. JBC Staff addresses this issue in greater detail in the following section, however Staff is concerned that a statutory change allowing up to 15.0 percent of the Core Services allocation to be used for the Child Welfare Block allocation close-out will further exacerbate the provider rate issue, by potentially reducing the amount of funding that is available for provider rate negotiations.

JBC STAFF RECOMMENDATIONS CONCERNING CHILD WELFARE FUNDING POLICY

Based on the analysis provided above, **JBC Staff recommends no change to the Family and Children's Programs statutes**. Both the Child Welfare Services and Family and Children's Program line items are funded up to 80.0 percent by federal and state sources. Certain administrative costs are allowable under the Core Services allocation if identified in the state approved county plan; and administrative costs are eligible expenditures in the Child Welfare Block Allocation, thus counties currently have an allocation to which these administrative expenditures may be applied. Allowing any amount of the Core Services Block Allocation to be used for administrative costs will further exacerbate the issue of available contract provider funding and the associated rate negotiations.

CHILD WELFARE PROVIDER RATE-SETTING METHODOLOGY

SUMMARY OF PROVIDER RATE-SETTING COMMITTEE RECOMMENDATION

Pursuant to S.B. 16-201, in July 2016 the Department of Human Services (Department) convened a rate-setting committee to review the rate-setting process for provider compensation. On December 15, 2016, the rate-setting committee submitted recommendations pertaining to provider rate-setting to the JBC. The complete report can be found in Appendix A of this memorandum. Following is a brief summary of the committee's activities:

- The Residential Provider Rate-Setting Committee was made up of county commissioners and representatives from county departments of human or social services, Child Placement Agencies (CPAs), Residential Child Care Facilities (RCCFs), the Department of Human Services, and the Joint Budget Committee. While JBC Staff participated in the first several committee meetings, in order to avoid a conflict of interest, Staff was not involved in the development of the final recommendation.
- The Department, county departments, and residential providers agree that the providers serve children and youth with acute behavioral problems who are difficult to treat and maintain in placements. Representatives also agree that some of the current base anchor rates for some providers may not adequately cover the costs of services to these children and youth.
- The committee members agree that some providers may be underpaid, however without a rate-setting methodology, an accurate calculation of an appropriate daily rate cannot be determined.
- The committee agrees that a rate-setting methodology needs to be designed and implemented to set residential provider rates, however its members were unable to create a rate-setting methodology by the December 15, 2016 deadline.
- Because the committee was unable to reach consensus on how to address the rate-setting issue, the provider representatives and the county representatives each submitted their own recommendations.

SUMMARY OF PROVIDER RECOMMENDATION

The provider representatives of the rate-setting committee submitted the following recommendations:

- Obtain a commitment from the rate-setting committee members to continue its work toward developing a new rate-setting methodology for Child Placement Agencies and Residential Child Care Facilities by the end of April 2017 that will assure the health and safety of children served in those agencies, promote the provision of quality care, and compensate providers for the actual cost of providing services.
- Submit a FY 2016-17 supplemental budget request for a provider rate increase of at least 10.0 percent.

SUMMARY OF COUNTY RECOMMENDATION

County representatives submitted the following recommendations:

- Require the Department to commission an actuarial analysis of vendor cost reports to determine an appropriate recommended base anchor rate range.
- Require the Department of Health Care Policy and Financing (HCPF) to examine the definition of medical necessity to prevent children from unnecessarily being referred to the child welfare system in order to receive services.
- Require HCPF to optimize reimbursement rates for treatment services so counties do not have to augment Medicaid through maintenance rates paid from other sources.
- Review child care licensing rules and regulations to determine if any rules not affecting the safety and well-being of children can be modified to reduce costs to vendors.

RATE SETTING COMMITTEE – NEXT STEPS

The provider rate-setting committee has agreed to continue working towards developing a rate-setting methodology and begin meeting again in March 2017. As a part of this process, licensing regulations will be reviewed to determine whether any rules not affecting the safety and well-being of children and youth can be modified to reduce costs to residential providers. The Department has agreed to convene a work group tasked with creating a rate-setting methodology that will engage HCPF to examine the definition of medical necessity in an effort to prevent children from unnecessarily being referred to the child welfare system.

As of the date of this memorandum, the Department has not submitted a FY 2016-17 supplemental budget request for an increase in the appropriation to line items that fund contract child welfare services. Because the Department did not submit a supplemental budget request, any child welfare provider rate increase remains solely within the purview of the General Assembly. Additionally, it is as yet undetermined if the Department is able to conduct an actuarial analysis of vendor costs within its existing budget.

JOINT BUDGET COMMITTEE STAFF ANALYSIS OF RECOMMENDATIONS

The Division of Child Welfare supervises county departments of social/human services in responding to reports of potential child abuse or neglect. Nearly 90.0 percent of the monies appropriated for child welfare are made available to county departments as block allocations with which the counties may fund child welfare staff, direct services, and child welfare related administrative and support functions. Block allocations are funded through the Child Welfare Services, County Level Child Welfare Staffing, and Family and Children's Programs line items of the Long Bill. Allocations that can be used for **direct services** are funded in the Family and Children's Programs and the Child Welfare Services line items; allocations for the **hiring of county level child welfare staff** are funded in the Child Welfare Services and the County Level Child Welfare Staffing line items; and **allocations for child welfare related administrative and support functions** are funded in the Child Welfare Services line item. Allocations made from the Child Welfare Services line item are referred to as the Child Welfare Block; allocations made from the Family and Children's Programs line item are referred to as the Core Services Block; and allocations made from the County Level Child Welfare Staffing line item are referred to as the Staffing Block.

CAPPED ALLOCATIONS TO COUNTIES

Pursuant to Section 26-5-104 (4), C.R.S., counties receive capped funding allocations for the administration and provision of child welfare services. Counties are allowed to use capped allocation moneys for child welfare services without categorical restriction. Those counties that serve at least 80.0 percent of the total child welfare services population (currently the largest ten counties) receive individual capped allocations, and the remaining small and medium-sized counties receive separate capped allocations. Each county's allocation consists of local, state, and federal funds. The Department uses state and federal funds appropriated through the Child Welfare Services and Family and Children's Programs line items to reimburse county departments of social services for approximately 80 percent of related expenses, up to the amount available in each county's allocation. For new county level staffing increases pursuant to S.B. 15-242, there is a required county match of 10.0 percent unless the county qualifies for tier 1 or tier 2 for the purpose of County Tax Base Relief, in which case the county is funded at 100.0 percent. Upon allocation to counties, these block grants become a part of the county human services budget and are used to fund county employees, provider contracts, and other approved child welfare administrative costs.

While salary increases for county child welfare staff are governed by decisions made by the local Board of County Commissioners (BoCC), provider rates are negotiated by local child welfare staff.

ALLOCATION FORMULA. Current law directs the Department of Human Services, with input from the Child Welfare Allocations Committee, to annually develop formulas for allocating child welfare funding among counties. In determining such formulas, the Department is to take into consideration historical expenditures, a comparison of such expenditures to the associated caseload, and other factors "that directly affect the population of children in need of child welfare services in a county" (Section 26-5-104 (3) (a), C.R.S.). A county's allocation may be amended due to "caseload growth or changes in federal law or federal funding" (Section 26-5-104 (4) (e), C.R.S.). In the event that the Department and the Child Welfare Allocations Committee do not reach an agreement on the allocation formula by June 15 of any state fiscal year for the following fiscal year, the Department and the Child Welfare Allocations Committee (CWAC) are to submit alternatives to the Joint Budget Committee for selection of an allocation formula. Though the formula may not change for a period of time, county allocations are calculated on an annual basis and as a result of shifting metrics in each county, a county's allocation may increase or decrease from year to year regardless of whether or not there has been an increase in the appropriation to the line item through which the allocation is funded.

END-OF-YEAR CLOSE-OUT. Pursuant to Section 26-5-104 (7), C.R.S., the Department is authorized, based upon the recommendations of the CWAC, to allocate any unexpended funds at fiscal year-end to any county that has over spent its capped allocation. In addition, a mitigation fund is set aside at the beginning of the year for distribution to small counties that over-expend, as their expenditures are less-easily managed than those of larger counties. A county may only receive close-out funds for authorized expenditures attributable to caseload increases beyond those anticipated when the allocations were made, and for expenditures other than those attributable to administrative and support functions.

PROVIDER RATE ADJUSTMENTS. The JBC has historically made a determination on a common figure setting policy to be applied for community provider rate adjustments. In the Division of Child Welfare, adjustments are applied to line items that are distributed through county block grants, including the Child Welfare Services, Family and Children's Programs, and County Level Child Welfare Staffing line items. These adjustments are applied to the portion of the base appropriation in each line item that funds county employees and contracted services.

Pursuant to Section 26-5-104 (6) (a), C.R.S., each county is authorized to negotiate rates, services, and outcomes with providers if the county has a rate negotiation methodology that is approved by the Department. Further, Section 26-5-104 (6) (c), C.R.S., states that a county that negotiates or renegotiates rates, services, and outcomes pursuant to the previously referenced statute, shall include as part of the negotiations or renegotiations cost of living adjustments and provider rate increases approved by the General Assembly. When rate negotiations occur, provider rate increases are not automatically applied, but are considered in rate negotiations or renegotiations between the county and the provider, allowing for counties with an approved methodology to negotiate rate increases with providers that are less than those approved by the General Assembly. Counties that do not have an approved rate negotiation methodology use the State Base Anchor Rate identified in Trails. This rate includes provider rate adjustments approved by the General Assembly.

STATUTE AND RULE

Pursuant to Section 26-5-104 (6) (b), C.R.S., the Department was to promulgate rules governing the methodology by which counties may negotiate rates, services, and outcomes with licensed providers. According to the Department, rules concerning the current rate setting methodology can be found in rule 12 CCR 2509-5.419. Specifically, the document provided by the Department entitled "Current Rate Setting Methodology" references these rules and states that "A new Residential Child Care Facility shall receive a per diem rate (child maintenance, administrative maintenance, and services) equal to the most recent weighted average rate. This per diem rate shall remain in effect until new rates are established for all providers." The document goes on to describe the Department's process for setting rates for new RCCFs and CPAs; however Staff was unable to find rules or a process flow describing an ongoing rate-setting methodology for these entities.

SUMMARY OF ADDITIONAL INFORMATION

In addition to participating in committee discussions, Staff sought input from the Department, county representatives, CPAs, and RCCFs. During this process, it became evident that there is a lack of data gathered and evaluated by an independent entity that would assist the committee in developing an acceptable rate-setting methodology. RCCFs and CPAs report a substantial disparity between salaries of public sector employees and contract provider employees who deliver like services. The lower salaries in the RCCFs and CPAs result in significant staff turnover and a subsequent negative impact on the children being served. Further, the counties and providers agree that while some providers may be underpaid, it is not possible to establish an appropriate daily rate for services without a rate-setting methodology; and it is not possible to create the methodology without data indicating the actual cost of doing business in RCCFs and CPAs. Though counties have recommended that an actuarial analysis of vendor costs be performed, such an analysis will only indicate the cost of doing business at the current provider staff salary rates. In order for an appropriate daily rate to be established that covers the actual cost of doing business, the analysis should include a salary survey and address parity in provider employee salaries.

Finally, the nature of the block allocations themselves create inherent challenges for both counties and providers and the negotiation of adequate rates. Because block allocations are made to counties and counties determine how those funds are spent, the local BoCC may impact the amount of funding available for provider rate negotiations. For example, approval of a salary increase for county employees by the BoCC in a year when a provider rate increase has not been approved by the General Assembly will reduce the overall amount available for provider contracts. This issue can also be exacerbated by the allocation formula. Because allocations to each county can vary depending on changing data, it is possible for a county allocation to decrease in a year in which the General Assembly does approve a provider rate increase.

JBC STAFF RECOMMENDATIONS CONCERNING PROVIDER RATE-SETTING

Due to the lack of consensus achieved by members of the rate-setting committee and the inability of the committee to determine an accurate calculation of an appropriate daily rate or establish a methodology for calculating such rate, **JBC Staff recommends that the Joint Budget Committee sponsor legislation that:**

- Requires an outside entity to perform a Salary Survey for providers delivering like child welfare services, including but not limited to

  - Independent providers contracted by state and/or county organizations,
  - Child Protection Agency employees,
  - Residential Child Care Facility employees,
  - State employees, and
  - County employees.
- Requires an outside entity to perform an actuarial analysis of actual vendor costs, including a comparison of those actual costs and the anticipated costs if employees of contract agencies receive a parity adjustment.

In order to address the challenges that result from Medicaid reimbursement, **Staff recommends that the sponsored legislation also:**

- Require HCPF to optimize reimbursement rates for treatment services so counties do not have to augment Medicaid through maintenance rates paid from other sources.

Finally, to address challenges associated with provider rate adjustments and caseload, **Staff recommends that the sponsored legislation:**

- Amend language in statute to indicate that provider rate and/or cost of living adjustments approved by the General Assembly are not subject to negotiation between the county and the provider. Staff proposes the following amendment to Section 26-5-104 (6) (c), C.R.S.:

  > A county that negotiates or renegotiates rates, services, and outcomes pursuant to paragraph (a) of this subsection (6) shall **NOT** include as part of such negotiations or renegotiations cost of living adjustments and provider rate increase approved by the general assembly.

- Add language to statute, and amend other sections of statute as necessary, to require the Department to submit as a part of the Governor's November 1st budget request, and for the JBC's consideration, an annual request reflecting an adjustment to line items that fund county block allocations based on caseload growth. Submission of this annual request will in no way bind the JBC or General Assembly to the approval of such request unless the JBC and the General Assembly elect to do so.

APPENDIX A. S.B. 16-201 FINDINGS AND RECOMMENDATIONS

The report submitted by the Department of Human Services and the Child Welfare Allocations Committee containing the findings and recommendations pursuant to S.B. 16-201 can be found on the following page.

COLORADO
Office of Children,
Youth & Families
Division of Child Welfare

December 15, 2016

The Honorable Kent Lambert, Chair, Joint Budget Committee
Legislative Service Building, 3rd Floor
200 East 14th Avenue
Denver, CO 80203

Dear Senator Lambert:

The Child Welfare Allocation Committee (CWAC), through the Colorado Department of Human Services (Department) and in response to Senate Bill 16-201 (SB 16-201), respectfully submits the attached information of its findings and recommendations for restructuring child welfare funding in accordance with the SB 16-201 request. SB 16-201 states that,

> "On or before December 15, 2016, the Child Welfare Allocations Committee shall provide the Joint Budget Committee with its findings and any recommendations for restructuring child welfare funding. The recommendations must include the input from stakeholders..., and may include standards for a new allocations model for child welfare funding and an evaluation process. The Child Welfare Allocations Committee is not required to recommend changes to the current child welfare funding structure if it determines that the current structure is the preferable option."

In addition, the Department respectfully submits the attached information of its review of county negotiations with providers. SB 16-201 states that,

> "On or before December 15, 2016, the group shall provide the Joint Budget Committee and the Child Welfare Allocations Committee with a report that recommends whether any changes to the rate-setting process for provider compensation are adviseable and, if so, the recommended process or methodology. The group is not required to recommend changes to the rate-setting process if it determines that the current rate-setting porcess is the preferable option."

If you have questions, please contact Robert Werthwein, Director of the Office of Children, Youth and Families at 303-866-4544.

Sincerely,

Reggie Bicha
Executive Director

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John W. Hickenlooper, Governor | Reggie Bicha, Executive Director

cc:

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Representative Millie Hamner, Vice-Chair, Joint Budget Committee
Senator-Elect Dominick Moreno, Joint Budget Committee
Representative Bob Rankin, Joint Budget Committee
Senator Kevin Lundberg, Joint Budget Committee
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COLORADO
Office of Children, Youth & Families
Division of Child Welfare

Senate Bill 16-201
Child Welfare Funding Mechanism
Findings and Recommendations

Senate Bill 16-201 was signed into law on May 18, 2016 directing the Child Welfare Allocations Committee (CWAC) to act on the following:

> *ON OR BEFORE AUGUST 1, 2016, THE CHILD WELFARE ALLOCATIONS COMMITTEE SHALL CONSIDER WHETHER A RESTRUCTURING OF CHILD WELFARE FUNDING POLICY WOULD BE ADVISABLE. THE CHILD WELFARE ALLOCATIONS COMMITTEE SHALL SOLICIT AND INCLUDE INPUT FROM ANY INTERESTED COUNTY COMMISSIONERS, DIRECTORS OF COUNTY DEPARTMENTS OF HUMAN OR SOCIAL SERVICES, COUNTY CHILD WELFARE DIRECTORS, COUNTY FINANCIAL OFFICERS, THE STATE DEPARTMENT, AND THE JOINT BUDGET COMMITTEE IN ITS CONSIDERATION OF CHILD WELFARE FUNDING RESTRUCTURING. ANY SUCH POLICY CHANGES MUST REFLECT FEDERAL AND STATE LAW, AS WELL AS CURRENT CHILD WELFARE PRACTICES.*

In June 2016, the CWAC developed a survey that was sent out via list serves and posted on the Office of Children, Youth and Family's website to gain input from various interested parties including those as defined above. In addition to feedback received through the survey, CWAC held further discussions through three subcommittees - Funding Structure, Strategies for Flexibility, and Job Enrichment and Retention.

On July 29, 2016, CWAC voted to proceed with pursuing the subcommittees' recommendations in accordance with the August 1, 2016 statutory deadline. The recommendations were as follows:

- There is no need to change the allocation formulas for Long Bill line items Family and Children's Programs, Child Welfare Services, and County Level Child Welfare Staffing.
- Explore expanding allowable services under the Family and Children's Programs.
- Review the Core Service plan to determine if it can be eliminated or if revisions are needed to help counties better serve Colorado's children and families.
- Explore use of Family and Children's Programs funding to be used to close-out Child Welfare Services at the end of each fiscal year.
- There is no need to combine the three Long Bill line items since separate funding streams help facilitate the Request for Information required by the Joint Budget Committee.
- Consider drafting statute changes to allow administration funding to be modified by a Cost of Living Adjustment.
- Develop training for county staff on funding streams to dispel inaccuracies and confusion.
- Work with the Recruitment and Retention Workgroup for recommendations regarding structure or statutory changes to help retain and reduce turnover with county workforce.

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John W. Hickenlooper, Governor | Reggie Bicha, Executive Director

Senate Bill 16-201 further directs the CWAC to act on the following:

> *ON OR BEFORE DECEMBER 15, 2016, THE CHILD WELFARE ALLOCATIONS COMMITTEE SHALL PROVIDE THE JOINT BUDGET COMMITTEE WITH ITS FINDINGS AND ANY RECOMMENDATION FOR RESTRUCTURING CHILD WELFARE FUNDING.*

On November 28, 2016, the CWAC met to discuss recommendations presented by the three subcommittee groups. Discussions also included federal and state legislation pertaining to funding prevention services in child welfare and extending the Title IV-E Waiver Demonstration Project (Waiver) to June 30, 2019 as allowed under current federal limitations. In addition, CWAC discussed the need for the U.S. Congress to legislatively enact Waivers beyond 2019.

The Waiver has had a positive impact in Colorado by:

- Reducing congregate care
- Increasing kinship providers
- Increasing the number of children and youth who remain safely with their families

In accordance with the December 15, 2016 statutory deadline, the CWAC is providing these recommendations to the Joint Budget Committee.

Recommended statutory change:

- Make an addition to Family and Children's Programs statutes (C.R.S. 19-1-116, C.R.S. 26-5-101, C.R.S. 26-5.3-105, C.R.S. 26-5.5-103, and C.R.S. 26-5.5-104) to allow up to 15% of the funding to be used to close-out Child Welfare Services at the end of each fiscal year. This is similar to the allowance for the Colorado Works Program.

Recommendations requiring no statutory change:

- An annual caseload analysis will be conducted by the Department to capture changes in assessments, referrals, and involvements by county.
- A new Workload Study should be completed by July 2019. The new study will capture changes including but not limited to:
  - Operational efficiencies obtained through Trails Modernization; and,
  - Update the estimated time required to complete mandated child welfare activities.
- Propose additional funding to hire more case aides, case workers, and supervisors until there are enough resources to fulfill the workload recommendations, including adequate funds to support competitive salaries in the various counties and regions throughout the State.
- Request funding to increase training for county child welfare staff to help increase workforce retention.

COLORADO
Office of Children, Youth & Families
Department of Human Services

Robert Werthwein, Ph.D, Director

Recommendations from Residential Provider Rate-Setting Committee, Pursuant to SB 16-201, Child Welfare Funding-Concerning Revising the Child Welfare Funding Mechanism

Submitted to

Joint Budget Committee

&

Child Welfare Allocations Committee

December 15, 2016

by

Colorado Department of Human Services
Office of Children Youth and Families
Division of Child Welfare
1575 Sherman Street, 2nd Floor
Denver, CO 80203

Residential Rate-Setting Report

The Colorado Department of Human Services (CDHS) is submitting the following recommendations to the Joint Budget Committee on the topic of daily rates paid to Child Placement Agencies (CPAs), Group Homes and Residential Child Care Facilities (RCCFs) for the care of children and youth in out-of-home placement on behalf of the Provider Rate-Setting Committee that was formed pursuant to SB 16-201, Child Welfare Funding-Concerning Revising the Child Welfare Funding Mechanism.

> SB 16-201 required that on or before August 1, 2016, a rate-setting group be convened to review the rate-setting process for daily rates paid to residential providers for the care of children and youth in out-of-home placement and on or before December 15, 2016, recommendations be provided to the Joint Budget Committee.

Background and Program Description:

In Accordance with SB 16-201, a rate-setting committee was formed and convened in July 2016. The Committee was comprised of representatives from county departments of human or social services (county departments), CPAs, RCCFs, the CDHS and a representative chosen by the Joint Budget Committee. The voting members are listed below:

Dennis Desparrois- Chair, Colorado Department of Human Services
Pam Neu- Colorado Department of Human Services
Barb Weinstein- Jefferson County Department of Human Services
Jeff Holliday- Broomfield County Department of Human Services
Dr. Mathew Caywood- El Paso County Department of Human Services
Ron Mitchell- Denver County Department of Human Services
Heather Walker- Weld County Department of Human Services
Daniel Makelky- Douglas County Department of Human Services
Skip Barber- Colorado Association of Family and Children's Agencies, representing Residential Child Care Facilities
Karen Yarberry- Jefferson Hills, representing Residential Child Care Facilities
Shirley Lee- Ariel Clinical Services, representing Child Placement Agencies
Jim Barclay- Lutheran Family Services, representing Child Placement Agencies
Robin Smart- Joint Budget Committee Legislative Analyst, representing the Joint Budget Committee

In addition to the voting members, thirty three persons representing a variety of stakeholders, such as the Office of Behavioral Health, Health Care, Policy and Financing (HCPF) and the Division of Youth Corrections, attended some or all of the rate-setting meetings. The committee met on the following dates:

July 29, 2016 via phone conference
August 5, 2016
October 21, 2016
November 14, 2016
November 21, 2016

Recommendations:

Although the committee was unable to come to a consensus on whether to increase rates for residential providers, the committee established common ground in several areas.

The CDHS, county departments, and residential providers agreed that the providers serve children and youth with acute behavioral problems whom are difficult to treat and maintain in placements. Also, that some of the current base anchor rates for some providers may not adequately cover the costs of services to these children and youth. Though the committee agrees that some providers may be underpaid, without a rate-setting methodology, an accurate calculation of an appropriate daily rate cannot be determined. The committee agrees that a methodology needs to be designed and implemented to set residential provider rates and has come to the understanding that this is a long term process that may take several months. The Department is committed to the process of creating a rate-setting methodology and will commence in March of 2017.

The committee members did not reach a consensus to recommend an immediate 10% increase in base anchor daily rates, as requested by the residential providers. The providers made a compelling argument that the need for a funding increase is acute and would mitigate issues that threaten the sustainability of providers and optimal service to the children and youth in care. Though the counties did not disagree that an immediate increase in base anchor daily rates might be necessary, they could not agree to such an increase given that they are facing uncertainties regarding their allocation amounts in the coming year and the ending of the federal IV-E Waiver. The counties argue that they have passed along legislative increases to providers over the years; however, the providers do not agree that they have received many increases. The discrepancy may be a result of the fact that rates are negotiable between counties and providers.

As a result of the differences in opinion between residential providers and county departments of human or social services, each group drafted its own recommendations.

Provider Recommendations

The following recommendations were written by the residential providers:

Summary of Current Situation (for more details refer to recent white papers by Fostering Colorado regarding rates and CAFCA's "The Case for a Rate Increase")

- The rate-setting methodology does not work
  - Rates of reimbursement for CPAs and Residential Facilities are unrelated to actual costs and/or services required/provided. There is no rate-setting process in statute or rule; multiple attempts over more than a ten year period to develop a methodology have been unsuccessful.
  - Different Counties pay different rates for the same services (even from the same provider).

- Rates of reimbursement have been documented to be insufficient. This creates health and safety risks to children in care and compromises the quality of care provided to them.

- Counties negotiate rates for out-of-home care but have not adjusted the rates of reimbursement to reflect increases in client acuity or to account for consumer price index (CPI) inflation in spite of realizing substantial savings through large reductions in placement utilization (especially in residential care) which they have allocated to other priorities including their own staff salaries.

Recommendations

1. Providers are encouraged to engage in aggressive negotiation with Counties seeking to place children in their care in order to assure that they have the resources necessary to provide safe and quality care in a sustainable manner.

2. Providers recommend that the Rate Committee request a supplemental appropriation from the legislature/JBC this year to finance at least a 10% community provider rate increase. In order to raise reimbursement levels to an adequate level, more funds will be necessary in future fiscal years either by Counties prioritizing this from their block allocations or by future State support.

Providers recommend that the Rate Committee continue its work toward developing a new rate-setting methodology for CPAs and RCCFs that will assure the health and safety of children served in our agencies, promote the provision of quality care, and compensate providers for the actual cost of providing these services. Since SB 16-201 directs that the allocation committee consider developing a revised allocations model on or before June 15, 2017, this committee should commit to completing its work by the end of April

County Recommendations

The following recommendations were written by the County Departments of Human Services:

Overview

The recently formed rate-setting committee was established after placement providers expressed concerns about their rates being inadequate and their belief they have not received rate increases over time as authorized by the legislature. Pursuant to SB 16-201, the workgroup was tasked with recommending *"whether any changes to the rate-setting process for provider compensation are advisable and, if so, the recommended process or methodology. The group is not required to recommend changes to the current rate-setting process if it determines that the current rate-setting process is the preferable option."* Although the workgroup has collectively determined it will not be possible to establish a rate-setting methodology by December, 2016, the discussion has yielded numerous facts related to the providers' concerns and funding issues in general.

Issues Concerning Provider Rate Increases

Between State Fiscal Year (SFY) 2007 and SFY2016, appropriated provider rate increases totaled a compounded 7.35% increase. In addition to this funding being made available to allow for increased payments to vendors, counties also receive the same level of funding increases to be used for cost increases within the county programs, including for costs associated with child welfare casework. For comparison, the United States Bureau of Labor Statistics West Region indicates inflation between June, 2007 and June, 2016 totaled 16.7%-over twice the level that provider rate increases had been appropriated by the state during this time period.

To fully understand the context of current concerns, a brief history of SB 97-218 history is required. In the early to mid-1990s, there were several years of dramatically increasing out-of-home placement costs. SB 97-218 established "block" funding to counties for the delivery of child welfare services, creating some line item flexibility, but also creating financial *risk* for the counties. Exceeding allocations put counties at risk for having to use "county only" funds to cover excess costs above allocations. To help counties mitigate their risk, they were given the authority to negotiate provider rates as a tool to control costs.

Similarly, there appears to be no current foundation for equitable state vendor rates, and possibly within counties. Two vendors may perform virtually identical services, but one may be paid more than the other. Such differences could merely be the result of variance in administrative expenses driven by local economic conditions, and not directly related to the welfare of the children being served.

Although counties' average payments to various vendor types are inconsistent from county to county, it is notable that collectively the average payments made by counties to vendors between SFY2007 and SFY2016 grew at rates exceeding appropriated provider rate increases (data from the Trails Users Group, Graig Crawford Jefferson County as lead):

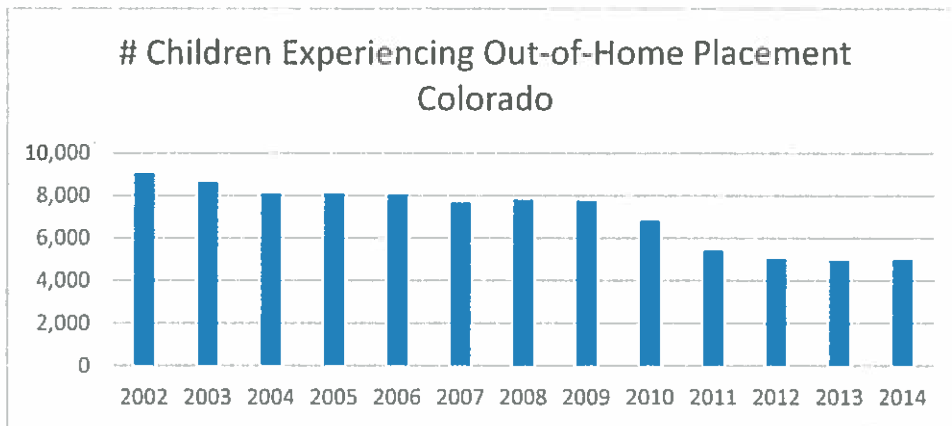
- RCCF*: 23.4%
- Group Homes/Group Centers: 46.3%
- CPAs: 9.6%

**From SFY2008, which was the first full year of payments not including Medicaid as part of room and board, payments rose 13.1%. Inflation over this time period per the United States Bureau of Labor Statistics indicates inflation increased 11.3% between SFY2008 and SFY2016, while state provider rates increased a compounded 5.76%.*

Funding Issue Affecting Vendor Payments

Overall, counties have been able to pay providers at rates that exceed the state appropriated increases. Counties have also increased child welfare staffing, largely through savings resulting from the dramatic placement reductions over the same period of time. In fact, placement levels have been trending downward in Colorado, generally, dating back to the late 1990s. However, this trend appears to be leveling off. Data from Annie E. Casey's Kids Count shows that in 2000 7 in 1,000 children experienced out-of-home placement, representing 7,517 children. By 2013, the number of children in placement had dropped to 4,964, with a placement rate of 4 in 1,000

children. The graphic below, from Kids Count data, shows the high year for the 2000s (2002) through the available data of 2014. Colorado appears to have plateaued with 2014 actually having a slight increase in the number of children in placement when compared to 2013.



As counties begin to experience increases in the number of children in placement, they are also monitoring other potential allocation constraints. For example, the Governor's Budget for SFY2018 is proposing an approximately $7,000,000 reduction in the amounts available to allocate to counties for Child Welfare Services. Last year, the state's "Allocation Expenditure Report" for June of 2016 indicates counties collectively overspent their Child Welfare Services allocations by $2.5 million. There is also uncertainty surrounding the upcoming end of the federal IV-E demonstration, as well as changes from fair labor standards act (FLSA) and its impact on caseworker salaries. In addition, there continues to be a lack of synergies among various funding streams that at times force kids and families into the child welfare system when the prevailing issue is ostensibly behavioral or mental health.

Potential Future Steps for the Committee

1. Counties do not support a blanket rate increase specifically for vendors, as this does not align with the intent of SB 97-218, which allows flexibility for child welfare funding appropriated to counties.
2. Commission an actuarial analysis of vendor cost reports to determine an appropriate recommended base anchor rate range. In order to achieve a valid comparison, the actuarial needs to be completed due to significant variance of administrative costs between vendors. This is the best way to determine an appropriate administrative cost range.
3. HCPF needs to examine the definition of medical necessity to prevent children from unnecessarily being referred to the child welfare system.
4. HCPF should optimize reimbursement rates for treatment services so counties aren't augmenting Medicaid through maintenance rates.
5. Review child care licensing rules and regulations to determine if any rules not affecting the safety and well-being of children can be modified to reduce costs to vendors.

The residential providers did not voice disagreement with the county departments of human or social services recommendations other than bullet one. The counties did not support blanket rate increases for vendors, as this does not align with the intent of SB 97-218, which allows flexibility for child welfare funding appropriated to counties. Rather, the residential providers feel the county recommendations represent a long term solution to creating a rate-setting methodology. The residential providers agree that a rate-setting methodology must be pursued. The residential providers were united in voicing that current daily rates are insufficient to allow them to continue to be financially viable. As a short term solution, the providers have suggested a supplemental appropriation from legislature/JBC to finance at least a ten percent increase to community provider rates in order to begin to make them more financially viable. Rate increases are supported for the agencies they represent in the

white papers created by Fostering Colorado and the Colorado Association of Family and Children's Agencies in Appendix A and Appendix B respectively.

A supplemental appropriation from the legislature to finance at least a ten percent increase in community provider rates is only within the purview of the legislature. As such, the committee has agreed to adopt the recommendations of the residential providers as a minority recommendation and the recommendations from the county departments of human or social services as a majority recommendation with the following caveats:

- It is not apparent whether the CDHS is able to conduct an actuarial analysis of vendor costs within its existing budget. A Request for Proposals would need to be conducted in order to determine the costs of such an analysis.
- The CDHS will convene a work group tasked with creating a rate-setting methodology that will engage HCPF to examine the definition of medical necessity in an effort to prevent children from unnecessarily being referred to the child welfare system.
- As part of the rate-setting methodology work group, licensing regulations will be reviewed to determine whether any rules not affecting the safety and well-being of children and youth can be modified to reduce costs to residential providers.
- A rate-setting methodology work group, led by the CDHS will be convened in March 2017.

Final Vote

The final vote by the committee is in favor of the County Recommendation by a vote of seven to four with two abstentions. The final vote tally is recounted below.

Jim Barclay - Lutheran Family Services * Voted for the Provider Recommendation
Shirley Lee - Ariel Clinical Services * Voted for the Provider Recommendation
Skip Barber - CAFCA * Voted for the Provider Recommendation
Robin Smart - CDHS *Abstain, Due to involvement with the Joint Budget Committee
Barb Weinstein - Jefferson County DHS *Voted for the County Recommendation
Ron Mitchell - Denver County DHS * Voted for the County Recommendation
Dr. Matthew Caywood - El Paso County DHS* Voted for the County Recommendation
Pam Neu - CDHS - OBH * Voted for the County Recommendation
Heather Walker - Weld County DHS * Voted for the County Recommendation
Dennis Desparrois - CDHS-DCW *Abstain, Due to being facilitator and Chairman of the Rate-Setting Committee
Karen Yarberry - Jefferson Hills * Voted for the Provider Recommendation
Jeff Holiday - Broomfield County DHS * Voted for the County Recommendation
Dan Makelky - Douglas County DHS * Voted for the County Recommendation

Issue: Child Placement Agencies (CPAs) in CO receive inadequate rates of reimbursement for the care and treatment of vulnerable and high needs children and youth in foster care. While the Colorado Legislature has approved several rate increases over the past 15 years, the rate increases have not been passed along to foster care providers until the past two years, and not by all counties. **Foster care requires an investment in a critical component in our child protection system and should be adequately funded.**

- According to a 2007 report from the University of Maryland regarding payments to foster care providers, Colorado would need to increase payments to foster families by 76% to100% in order to meet the minimum cost of raising a child[i]. Only 5% has been passed along to some providers since this report was released.

- A 2012 study by Colorado State University compared the cost of county foster care vs. private foster care and found that "the daily administration rate was actually lower for private foster care placement in all age groups. Futhermore, the average cost per episode of care was lower for CPA foster care in all age groups."[ii]

- Colorado Department of Human Services and Colorado County Departments of Human Services are committed to decreasing the number of children placed in congregate care, which is resulting in more children with more higher needs moving into foster care placements. Foster care providers are unable to meet the increased level of needs at the current rates of reimbursement.

- While Colorado law allows providers the "ability to negotiate" rates, the negotiation is subject to arbitrary limits independently set by each of 64 counties, rather than rates that address the verified individual needs of each child. Providers are given rate schedules and told what counties will pay per child, even though those rates are lower than agency base anchor rate and true schedule B costs.

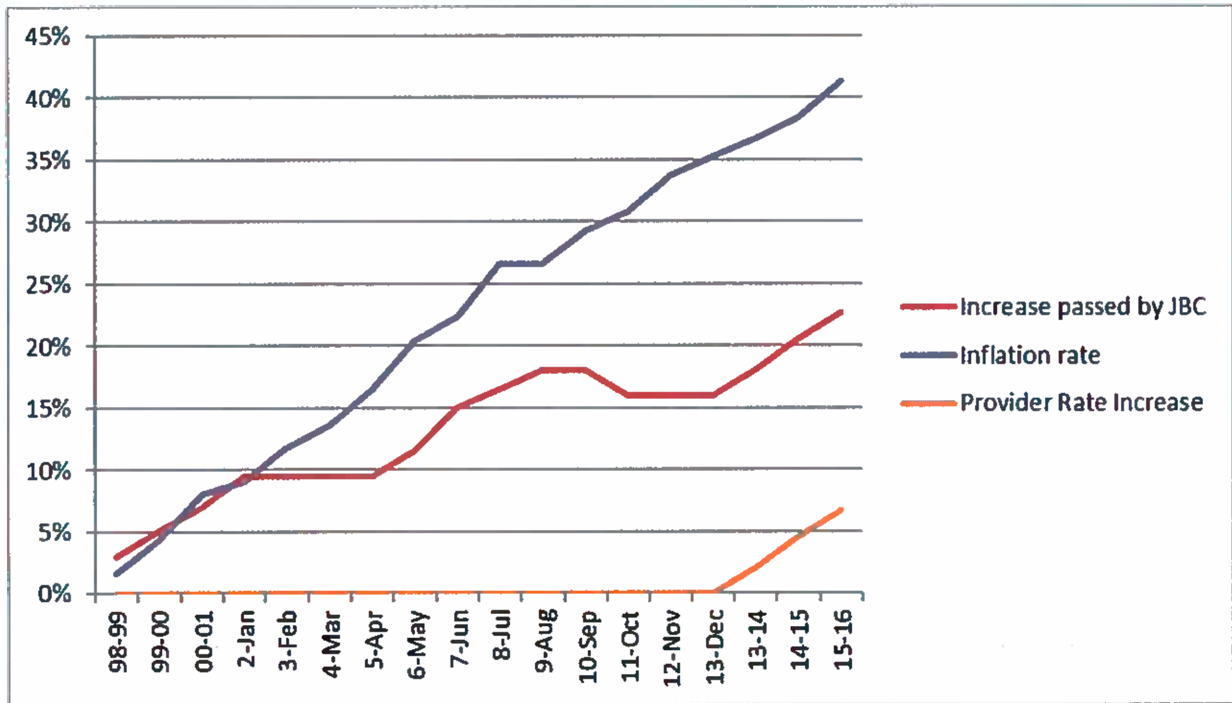


Chart: Provider Rate Increases from JBC, Inflation, and Actual Increases Passed Along to Providers from 1998-2014

State Fiscal Year	Increase passed by JBC	Inflation rate	Provider Rate Increase
98-99	3%	1.60%	0%
99-00	2%	2.70%	0%
00-01	2%	3.70%	0%
01-02	2.50%	1.10%	0%
02-03	0%	2.60%	0%
03-04	0%	1.90%	0%
04-05	0%	2.90%	0%
05-06	2%	3.90%	0%
06-07	3.50%	2.00%	0%
07-08	1.50%	4.20%	0%
08-09	1.50%	0.03%	0%
09-10	0%	2.60%	0%
10-11	-2%	1.60%	0%
11-12	0%	2.90%	0%
12-13	0%	1.50%	0%
13-14	2%	1.50%	2%
14-15	2.50%	1.60%	2.50%
15-16	1.7%	3%	1.7%
TOTALS	22.2%	41.33%	6.2%

Fostering Colorado *Fostering Colorado ("FC") is a statewide* ***membership association*** *of private child placement agencies licensed by the State of Colorado Department of Human Services ("CDHS"). FC was formed with the objective of developing and enhancing foster and adoptive care throughout the state of Colorado to benefit the children served by the agencies. With each program offered, FC aims to use collaboration and communication among the network of agencies to ensure that we are providing best practice and services.*

FC represents a common goal within each membership agency to provide each child in foster care the highest level of care.

- *Fostering Colorado is currently comprised of 18 private child placement agencies throughout Colorado.*
- *The agencies serve children of all races and ethnicities from ages 0-21.*
- *At any given time, the agencies together serve almost 1,200 foster children per night and have in total about 500 foster homes.*
- *The network of agencies serves all counties in Colorado.*

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Fostering Colorado Website: www.fosteringcolorado.com

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[i] University of Maryland, Hitting the M.A.R.C.: Establishing Foster Care Minimum Adequate Rates for Children. (2007, October). University of Maryland, Children's Rights and National Foster Parent Association. University of Maryland School of Social Work. www.ssw.umaryland.edu/fostercare/index.htm.

[ii] Winokur, M., Crawford, G., Batchelder, K. (2012) Comparison of Public and Private Foster Care in Colorado. Social Work Research Center, Colorado State University.

The Case for a Rate Increase
November 1, 2016

The History behind Rates of Reimbursement

- The Child Welfare Block was recreated in 1997 and Counties were made responsible for the management of child welfare spending. Over the years adjustments have been made to the allocation in a variety of ways; one of which is the community provider rate adjustment. Counties have managed their spending on child welfare by making substantial reductions in the number and types of placements. The fact that the base anchor rates of reimbursement are set by the state has confused the rate picture regarding county responsibility for rates which everyone acknowledges that have the authority to negotiate. The result is that Counties have adjusted their own salaries and their own staffing needs but have neglected the needs of their community providers and the negative impact that this has had on the children in their care.
- When base anchor rates of reimbursement were established by the state for CPAs and residential providers many years ago they were arbitrarily set and did not reflect the costs of services at the time.
- These rates of reimbursement have not been adjusted in over ten years to account for the increased costs of providing services. As a result, the average reimbursement rate for residential care covers only about 78% of agency costs and the average starting salary for County Caseworkers and DYC staff is approximate double what the starting salaries are for private community providers. In addition most CPAs are paid below their state anchor rates.
- In the last ten years the Consumer Price index has increased 28% and the legislature has only allocated community provider increases of 11.45% resulting in a loss of 16.55%. In many cases Counties have not passed along Community Provider Rate increases blaming the allocation formula. Therefore annually providers have not only been underpaid but the situation has deteriorated.
- Client acuity has increased as only the most disturbed children are now placed and this has resulted in escalated costs. Two years ago CDHS asked for providers to support increases in DYC and county staffing to accommodate the changes in client acuity and in spite of our support, which was given with the understanding that the needs of our programs would be examined; the state has made no formal request for increased funding for our programs. This year's state budget request by the Governor continues the pattern of increasing county and DYC funding while ignoring the community providers.
- Regulatory changes over the last several years have increased costs by requiring more from service providers without ever addressing rates.
- The saving from reductions in the out of home placement of children has been reinvested in county salaries, staffing and infrastructure to the exclusion of supporting community providers. Counties funding staff positions and salary increases out of the block without at the same time passing along similar rate increases for providers so they can increase their staffing and salaries is unfair and creates a lack of balance between the private and public systems.

  - In 2003 3782 children and adolescents were in foster care per day and in 2016 2068 children and adolescents are in foster care per day (a 45.31% decline).
  - In 2003 1650 children and adolescents were in residential care per day and in 2016 529 children and adolescents are in residential care per day (a 64.34% decline).
  - These reductions in the number of clients in placement did not result in reductions in funding.
- There has also been 43% decline in DYC commitments which also has resulted in our treating higher acuity clients with an increase in funding.
- Based on information contained within the Legislative Audit Report on DYC (10/3/2016) the State spending on Institutional Programs (state operated facilities) is $74,400,000.00 (page 7) and based on an average daily census of 604 (page 4 – taking a detention population of 272 and a commitment population of 382 and subtracting the average population of Denier and Marler [i.e., 50 youth per day]) that calculates to $123,179 annual per youth (i.e., $337.48 per day). When you compare this with the appropriately $86,000 annually paid to Residential Treatment Providers (DYC community based residential treatment centers and child welfare residential treatment centers) there is no comparison at all. State operated facilities receive almost 50% higher funding than private providers. This even assumes the cap maximum of $187 per day (which only some providers receive), an average Medicaid billing of $20 per day (which not every facility is able to bill) and education funding of ten thousand dollars annually meaning some of the youth must quality for special education (recognizing that many DYC youth receive no education funding and that a lower percentage of them qualify for special education funding than child welfare referrals). The Governor request for a 2.5% salary increase for all state employees while not asking for a similar increase for providers will further increase the division between public salaries and private agency salaries; making it increasingly difficult for private providers to compete in the market place for quality staff.

The Impact on Colorado providers and our clients

- Agencies are forced to balance their budget by paying low salaries, providing minimal benefit packages, and deferring capital investment in their facilities.
- The result is high staff turnover and more inexperience staff providing the treatment and supervision of the youth.
- High turnover and inexperienced staff result in poorer treatment for the children, adolescents and families referred to our programs.

The bottom line

- **Colorado facilities need some of the saving the Counties have been realizing on the reductions in out of home spending to be reinvested in our services.**
- Even if paid our actual costs we would still be dramatically underfunded since in order to have a sustainable workforce we need to invest in significant salary increases for our employees.
- On December 1st of this year the new Department of Labor requirements go into effect regarding exempt employees. The new rule raises the standard salary level for full-time salaried exempt workers from $23,660 to $47,476 annually. The

majority of therapists and child care supervisors in our programs will no longer be eligible to be employed as exempt employees further straining program budgets.

- Also at issue is the constitutional amendment that increases the minimum wage. *The average starting salary for child care workers in private facilities is $12.50 per hour and this is for college graduates.* The Colorado **$12** Minimum Wage mandate increases the minimum wage from **$8.31** to **$9.30** per hour on January 1, 2017, and then increases it 90 cents annually until the wage reaches **$12.00** in 2020. The 7% annual increase can not be absorbed by providers without rate increases.
- It is anticipated this year that employee benefit costs will increase an additional 10%. The state requests additional money from the legislature to pay for these expenses for state employees but no parallel request is made for the private sector.

It is past time for a change……

Community providers of residential treatment and CPAs need immediate rate increases. The future of Colorado children is at stake. The current emphasis solely on state and county worker salaries and workload is unfair, unbalanced and inequitable. The Governor's budget proposal for a 2.5% state salary increase and more money for benefits and retirement plans for state employees without any increases for community providers is unacceptable.

The expressed goal for child welfare is to care for youth at the most appropriate level in the most appropriate setting. When out of home services are necessary the youth should receive the highest quality of care in the least restrictive environment possible. When residential treatment is necessary youth should receive quality treatment services from agencies meeting high standards for quality care, providing trauma-informed services, utilizing proven treatment strategies, and provided by competent staff. The current reimbursement structure is inconsistent with these goals and does not promote good outcomes for youth in the system. The way that we establish rates of reimbursement for services needs to be restructured to meet the goals of providing youth with quality services and meeting their emotional, mental health and physical needs in the most appropriate setting possible.