

CHAPTER 6

6.1. Background

One of the requirements of the Title IV-E Child Welfare Waiver Demonstration Project (Waiver Project) is that the project be cost neutral over the five-year duration of the study and that federal reimbursement for the Waiver Project will not exceed the cost neutrality limit (CNL). The federal methodology for calculating the CNL required using an experimental/control group design. The cost neutrality study design was based on the following assumptions:

- 1) The project would experience higher initial costs for Intensive Services provided to the experimental group than the cost of traditional services provided to the control group;
- 2) That ultimately the control groups costs would be higher based on the fact that control group children would have longer lengths of stays and could go into higher levels of care, and;
- 3) Savings were expected in the experimental group cases as a result of decreased time in care, and/or reduced social worker involvement at the end of the five-year study. These savings would offset the higher initial expenditures, resulting in cost neutrality.

With the CNL in mind, the State established a capped maintenance payment amount for experimental cases under the Wraparound component of the Waiver Project. Under the Family Group Decision-Making (FGDM) component, the counties established the experimental case payment rate. In order to ensure cost neutrality for the administrative payments, the State assumed in the budget process that it would not cost counties any more to handle an experimental case than a control case. Therefore, counties were not allocated any additional funds for their administrative activities during the Waiver Project.

The State's proposed methodology for collecting Waiver Project expenditure data required counties to report county costs on the County Administrative Expense Claim (CEC) on a quarterly basis. The CEC is an automated claim document that consists of a series of program codes that are used by counties to report expenditures to specific program fund sources associated with the operation and administration of all welfare programs. The purpose of choosing the CEC for reporting Waiver Project costs was to have an automated tracking mechanism to monitor costs reported at the local level on a quarterly basis. The methodology required county social workers to report their expenditures in areas such as: case management, court-related, support staff vs. social work staff, etc. Individual claiming letters were sent to each participating county outlining how counties should claim costs (see attachment).

If utilized as originally proposed, the CEC would have captured costs for both the FGDM and the Wraparound components. Evaluation and developmental costs were to be reported to separate codes as they were to be excluded from the cost neutrality calculation

under the Terms and Conditions. Ideally, the goal was to aggregate the codes quarterly by: (a) total demonstration costs for all counties; (b) individual county demonstration costs; (c) specific component costs; (d) administrative and maintenance costs; (e) control and experimental costs. However, as discussed below, the proposed methodology did not meet the goal.

The California Department of Social Services (CDSS) provided ongoing technical assistance to counties not only at regularly scheduled consortia meetings and conducted frequent individual county site visits during the first two years of the project. CDSS staff continued with site visits as needed to all participating counties to help ensure they understood how the CNL was to be calculated and to monitor the process of the implementation of their projects until counties were fully operational. However, no actual maintenance or administrative costs were incurred until June 1999 when the first child entered the Wraparound sub-study.

6.2 Program Factors that Impacted Cost Neutrality

Five counties participated in the Wraparound component of the Waiver Project. These counties were: Alameda, Humboldt, Los Angeles, Sacramento, and San Luis Obispo. Children were identified as: children residing in the highest levels of group care in California, and children at risk of placement into the highest levels of group care. The evaluation reports that a greater percentage of the Wraparound treatment groups were children at risk of placement in a higher level of group care and not from children currently placed in high level group care. For the comparison group, not enough of similar “at-risk” cases emerged. In Alameda the definition of the target group changed after implementation which broadened their initial definition of “at risk.”

During the Waiver Project period group home bed capacity decreased in four of the Wraparound counties (Alameda, Humboldt, Los Angeles and San Luis Obispo) from 4,573 to 4,169. There appears to be an inverse relationship with decreased group home bed capacity and achieving the CNL in the participating Wraparound counties. Specifically, counties that had decreasing group home capacity during the Waiver period were not able to achieve cost neutrality. This decrease is most dramatic in Los Angeles County where the decrease was 318 beds and Alameda which realized a decrease of 86 beds. Thus, control cases in counties which had a decrease in group home capacity, were less likely to be placed in group homes thereby contributing to artificially low control group case costs. It should be noted that in the entirety of the state there was a slight increase in group home bed capacity from 13,786 in 1997, to 13,829 in 2004. The only Wraparound Waiver County (Sacramento) that saw its group home capacity increase (from 581 to 644) was able to meet the CNL.

Additionally, in Los Angeles County, control case costs were artificially low due in part to the fact that 28 percent of children/youth avoided placement in restricted environments and remained at home or in much lower levels supported by the services funded by the state children’s system of care. Los Angeles County estimated the costs of these services to be approximately \$14,000 per child per year.

Fresno and Riverside counties implemented FGDM and each county developed a different approach to FGDM. Target populations differed in each county. Fresno wanted to prevent placements for families at-risk and therefore, implemented FGDM in its Voluntary Family Maintenance Unit and targeted all children ages 0-18 at home to avoid additional child welfare services such as a foster home placement. The majority of their study children were not in out-of-home placement at enrollment which impacted the cost neutrality. In Fresno, because the comparison group were children that were placed in voluntary maintenance placement costs were much lower than the treatment group and no costs were reflected for services as other fund sources were used to pay for the services.

Riverside County focused on children ages 6-12, already in care to facilitate placement stability and permanence. Due to the changes in their child welfare population, many of their placements ended up in low cost relative care.

6.3 Fiscal Factors that Impacted Cost Neutrality

Waiver counties developed a fiscal sub-structure within their larger organizational environment to manage the Waiver Project costs. In order to build a dialogue to help create a new fiscal model for the Waiver Project some counties included only the fiscal staff in their initial program development. The eligibility staff that were critical for determining IV-E eligibility were not included until children started to enter the study, resulting in delayed processing of referrals.

The Wraparound counties were limited to a specified rate for each experimental case. For example if the group home rate classification level was \$5,994 per case, per month, that amount was claimed until the child was returned home. All Wraparound counties chose to adhere to the same rate and payment timeline with the exception of Alameda County. Counties used the monthly rate to pay for Wraparound services that could not be paid from other sources such as mental health funding.

Alameda County had the highest number of enrollments in the Wraparound study, followed by Sacramento and Los Angeles counties. Alameda linked the funding to their program operations meaning that a key aspect of the model provided for a capitated rate payment for any child assigned to the Wraparound treatment group that continued to be paid to the Flexcare providers for the duration of the demonstration project as opposed to when the child exited the foster care system. This differs from other counties in that the Wraparound provider of services to children that entered the Wraparound treatment group would no longer receive a rate payment once the child and family goals were achieved and dependency was dismissed. (See the Wraparound Process Study 5.2. page 4). As such, a more detailed discussion of their fiscal model is significant to the results of cost neutrality. As previously reported, Alameda County implemented Wraparound using a “managed care type of model. The county paid the providers a capped rate per child which was used to pay for placement costs and services. The rate was to be based on projecting the cost of placement and services by looking back two years to ensure that the costs did not exceed the control group’s costs. Alameda assumed that the costs associated with meeting the intensive needs of children and families over time would decrease and balance with the needs of others that required increased services. Also any cost savings achieved as a result of “stepping down” youth was reinvested by the

provider to deliver more services to the same youth or to other youth in the program. The cost savings realized in this fiscal model could not be captured in the cost neutrality calculation because the federal cost neutrality methodology did not allow for any adjustment for this type of model.

The model further necessitated that lower cost clients remain in the project and therefore, were not discharged. This meant that cases were not closed if dependency was dismissed, children were AWOL, or went into juvenile detention. Experimental children remain in the Waiver Project until the sunset. As previously reported, the experimental children would continue to be included in the capitated rate payments to the providers without regard to placement.

The expectation for this model was that the county would be cost neutral based upon their experience with a similar pilot in the past. The following observations by Alameda are believed to have impacted cost neutrality:

- The county based the initial capitated rate on the cost of 48 children who were in high-level group care at the time of referral to the program. However, the treatment targeted population broadened very quickly to include 80 percent of children at-risk of high-level group care. This pushed the control group costs down while the implementation of state COLAs was pushing experimental costs upwards.
- The original design of the fiscal model called for an annual adjustment to the rate based on the actual costs of the control group. The above effect may have been mitigated if the county had reviewed the rate annually and made downward adjustments for the shift in target population and associated costs. However, the county was unable to develop the administrative capacity to complete the look back analysis until three years into the project in August 2002.
- The county's treatment target population included 80 percent of an at-risk population as opposed to children or youth currently placed in high end group home levels at the time of enrollment. (Wraparound Process study 5.1. page 4) The impact of cost savings are not reflected in the State and county fiscal system.
- Under the federal formula, costs went to zero when children exited the system, regardless of the outcomes (AWOL, Juvenile Hall). Yet those cases continued to be counted in the cost analysis. More children with zero costs in the control group lowered the control group costs per care while outcomes for the group in Alameda were measurably worse. The county proposed a fiscal design to account for this anomaly by using service months rather than cases as the unit of analysis.

Fresno and Riverside counties implemented FGDM. For experimental cases, these two counties were to use the rate that would have been paid had the child been placed into foster care. The rates averaged \$813 per child per month for experimental cases in Fresno. Riverside had very high treatment costs, which averaged \$3,400 per child for experimental cases, and exceeded the normal rate for a foster family home placement in their county. The experimental rates were based on a prediction of where children might have gone had there been no intervention. After analyzing the impact of a large percent of the experimental and control cases ending up in relative care under Riverside's model

the CDSS has concluded that while placement stability with the relative is a good outcome, the child's placement with the relative did not work under the cost neutrality model due to the following factors:

- Children placed with relatives typically stay in their placement until age 18.
- Because children placed with relatives stay in their placement for long periods, Riverside's experimental cases received the higher average placement rate of \$3,400 for the duration of their Waiver Project.
- Control cases received the lower relative foster family home rate, which averages between \$500 and \$700 dollars per month.
- While the control group children placed with relatives also remained in their placements until age 18, due to the disparity between the control and experimental group rates, the CDSS found that cost neutrality could not be achieved using Riverside's Waiver Project model.

Because of these findings, even if the Waiver Project were to be extended, the CDSS has agreed with the county that Riverside's FGDM model would not be continued.

6.4 Results and Discussion

The CDSS anticipated that counties would make diligent efforts to meet the cost reporting and expenditure requirements of the Waiver Project as it applied to cost neutrality. The presumption was that the counties would maintain correct accounting methods of all of their assigned control and experimental cases and costs. However, after analyzing county cost reports, impacts of county program models and target populations, it was determined that incorrect reporting and claiming errors were occurring and that some county Waiver Project models would not be cost neutral using this Waiver Project's cost neutrality calculation methodology.

The CDSS immediately contacted counties and worked with them to identify the cause of any reporting and/or claiming issues. The CDSS found that counties experienced issues with social workers not reporting their time correctly to the appropriate time study codes. Specifically, some counties felt social workers assigned to handle control cases were not supposed to know they had a control case. This was to ensure they would not treat the control case any differently than any other case. However, the only way for the social worker to report their administrative time spent handling a control case was to report their time to a control group time study code and this would require the social worker to know that they were handling a Waiver Project control case. The result was inconsistent or non-existent reporting of control case activities to the associated time study codes.

Another problem identified was that in California, county social workers do not typically time study to separate codes on the type of foster care case they are handling (e.g. federal, non-federal, emergency assistance, county only, etc.) as it is too burdensome administratively to do so. Therefore, to handle the appropriate allocation of administrative costs to the benefiting program, California applies a caseload ratio to the total administrative costs to shift administrative expenditures to the appropriate fund

source as outlined in California's federally approved Cost Allocation Plan. Therefore, to use separate time study codes for control and experimental cases goes against the normal practice for reporting social work time-expenditures in California counties. This resulted in social workers not reporting their time for control or experimental cases consistently to the Waiver Project time study codes.

Counties had difficulty reporting the maintenance payment costs for control and experimental cases on the CEC. The CDSS actively sought the assistance of fiscal staff to further develop trainings and operational procedures for counties to reduce further problems. It was determined that there was a disconnect between the higher level county staff attending the trainings and the line staff responsible for reporting the Waiver Project maintenance payment costs on the CEC, as well as, staff turnover. Because some of the claiming difficulties during the Waiver Project continued, CDSS staff continued with more focused trainings. Also, claiming changes simplified the county reporting process and the claiming process improved.

The cost neutrality calculation was based on the expenditure data received from the counties, case counts provided by the University of California, Berkeley (UCB) project evaluator and the required federal cost-neutrality formula. During the analysis of the control and experimental case expenditures, the following negative impacts to cost neutrality were noted:

1. During the initial startup of the Project, an administrative claiming procedure was developed. The claiming procedure was complicated for county staff to accurately and effectively collect, track and report costs. CDSS provided training and opportunities for counties to correct the data collection process but insufficient improvement prevailed. These problems contributed to and resulted in a cost-neutrality calculation which could not be independently verified.
2. In six out of the seven counties, the average cost of an experimental group case was reported to be higher than that of a control group case. Given the variation in absolute costs across counties, the difference between control and experimental group cases within each county strongly suggested misreporting of cost data.
3. Due to the changing child welfare environment in the service delivery system, the "traditional" services offered to control cases closely resembled the interventions under the Waiver Project. The only difference was that the control case services were funded using alternate fund sources. Because the cost neutrality calculation methodology does not include services costs paid for with fund sources other than Title IV-E, this also resulted in an artificially lowered the control case expenditures.
4. The participating counties did not fully implement their Waiver Projects until year three. This resulted in too short of a time frame to realize the full benefit of the Wraparound intervention which California believes would have resulted in reduced lengths of stay for experimental case children to offset the costs currently exceeding the CNL.

5. The CDSS also found that targeting the “at risk” populations in some counties negatively impacted cost neutrality. The negative impacts resulted when the control group cases initially identified as “at risk of going into a high level group home placement” did not end up in the higher level placement. When identified as a candidate for the project, the control group child received some services not funded with Title IV-E that led to the child being returned home sooner.

6.5 Conclusions and Recommendations

The CDSS emphasized the importance of cost neutrality as one of the primary goals for the Waiver Project to participating counties. Through the lessons learned and with implementation changes, such as changing target populations, better controls to identify problems earlier, the CDSS and counties are better able to identify issues impacting cost neutrality to meet federal Waiver Project cost reporting requirements.

The final cost neutrality calculations submitted to DHHS in December 2003, on the federal claim forms indicated that the Waiver Project has exceeded the Cost Neutrality Limit (CNL) by \$3.8 million in federal funds which only represents a very small percentage of California’s total Title IV-E expenditures.

The CDSS recommends that the following factors be considered in the planning of a demonstration project with cost neutrality as a condition under the Terms and Conditions:

- 1) evaluate cost neutrality using pre-tests/or points in time prior to the analysis of the final data, and;
- 2) collaborate more with other waiver states to gain insight into areas that they improved upon to enhance the productivity of the project.