



# **Foster Care Rate Modernization: Progress Report**

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**As Required by  
2022-23 General Appropriations Act,  
Senate Bill 1, 87th Legislature, Regular  
Session, 2021 (Article II, Special  
Provisions Relating to All Health and  
Human Services Agencies, Section 26)**

**Texas Health and Human Services  
February 2022**



**TEXAS**  
Health and Human  
Services

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# Executive Summary

The Health and Human Services Commission (HHSC) Foster Care Rate Modernization Progress Report is submitted pursuant to the 2022-23 General Appropriations Act, Senate Bill (S.B.) 1, 87th Legislature, Regular Session, 2021 (Article II, Special Provisions Relating to All Health and Human Services Agencies, Section 26(e)(4)).

Special Provision 26(c) directs the Department of Family Protective Services (DFPS) to develop an alternative reimbursement methodology proposal for the 88th Legislature with the assistance of HHSC. The alternative reimbursement methodology proposal for the 24-hour Residential Child Care (RCC) program, including legacy foster care and Community-Based Care (CBC) rates, is based on specific deliverables outlined in the provision.

Special Provision 26(e)(1) directs HHSC to submit a plan for the development of pro forma modeled rates and cost-report based rates, using the service descriptions developed by DFPS as outlined in subsection (c), including key milestones and identified interagency dependencies. The plan is described in the report entitled, "Foster Care Methodology," as required by the 2020-21 General Appropriations Act, House Bill (H.B.) 1, 86th Legislature, Regular Session, 2019 (Article II, Special Provisions Relating to All Health and Human Services Agencies, Section 32).

# 1. Background

H.B. 5, 85th Legislature, Regular Session, 2017, codified at Section 40.058, Human Resources Code, requires DFPS and HHSC to “enter into contracts for the provision of shared administrative services, including...rate setting.” On May 4, 2018, HHSC and DFPS agreed in a memorandum of understanding that the HHSC Provider Finance Department (Provider Finance) would, on an ongoing basis, “identify and recommend appropriate rate changes, if applicable, and send a notification to DFPS staff of the recommendations.” Pursuant to the memorandum, Provider Finance calculates reimbursement rates for DFPS’ 24-hour RCC program and submits those recommendations to DFPS for their consideration as requested.

The 86th Legislature directed HHSC, in consultation with DFPS, to evaluate the methodology for establishing foster care rates under the 2020-21 General Appropriations Act, H.B. 1, 86th Legislature, Regular Session, 2019 (Article II, Special Provisions Relating to All Health and Human Services Agencies, Section 32). HHSC contracted with a third-party vendor, Public Consulting Group, Inc. (PCG), to conduct the rate methodology evaluation and develop recommendations. In February 2021, HHSC published PCG’s report and recommendations in the Foster Care Rate Methodology Report.

The 87th Legislature directed DFPS to develop an alternative reimbursement methodology proposal for the 88th Legislature with the assistance of HHSC. The alternative reimbursement methodology proposal for the 24-hour RCC program, including legacy foster care and CBC rates, will be based on specific deliverables outlined under the 2022-23 General Appropriations Act, S.B. 1, 87th Legislature, Regular Session, 2021 (Article II, Special Provisions Relating to All Health and Human Services Agencies, Section 26)

Furthermore, the 87th Legislature directed HHSC to submit a plan for the development of pro forma modeled rates and cost-report based rates, using the service descriptions developed by DFPS as outlined in subsection (c), including key milestones and identified interagency dependencies. In September 2021, HHSC published the report “Foster Care Rate Modernization: Development & Implementation Plan” for the development of pro forma modeled rates and cost-report-based rates.

As outlined in subsection (e)(4) of Special Provision 26, HHSC is required to submit “a semi-annual progress report of all related activities undertaken by HHSC every six months beginning on February 28, 2022. HHSC developed this progress report

for HHSC activities that have occurred from the beginning of the project to February 28, 2022.

## 2. Securing Resources

HHSC received appropriations and full-time equivalents (FTEs) to support the agencies' efforts to meet the assigned deliverables within Special Provision 26. HHSC received appropriations to support 12 FTEs and professional services to support rate-setting development, implementation, and feasibility study.

### Full-time Equivalents

Provider Finance began the hiring process in June 2021 for the 11 FTEs assigned to work on the deliverables related to HHSC identified activities. Prioritization of the hiring efforts was given to the positions that would directly support the pro forma rate setting phase of the project. Hiring efforts included posting each position for a competitive selection process, screening applicants, conducting interviews, and selecting the qualified applicant.

As of February 14, 2022, 10 of the 11 FTEs had been hired through a competitive selection process.<sup>1</sup>

The HHSC Medicaid and CHIP Services Division (MCS) has also begun the hiring process for the one FTE assigned to work on the deliverables related to the feasibility studies. As of February 1, 2022, HHSC MCS is in the competitive selection process.

### Contract for Professional Services Procurement

HHSC Provider Finance began coordinating with the HHSC Procurement and Contracting Services Division (PCS) to post a solicitation for Professional Services to Develop an Alternative Reimbursement Methodology for Foster Care Rate Modernization in June 2021. HHSC Provider Finance developed a draft of the Statement of Work (SOW) and provided the initial draft to DFPS for their courtesy review and feedback. The finalized SOW was approved to route through the internal HHSC processes to be posted for solicitation. The solicitation is categorized as an Invitation for Bid and was posted on the Electronic State Business Daily on January

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<sup>1</sup> To the extent that any positions become vacant due to attrition, HHSC will re-fill positions as expeditiously as possible.

18, 2022. HHSC Provider Finance participated in a Vendor Webinar Conference to discuss the solicitation and provide responses to questions on January 26, 2022. The solicitation's response date was February 10, 2022, and HHSC plans to award a contract as early as March 2022.

HHSC MCS has begun the process of securing the professional services for the feasibility studies.

## 3. Progress Report

### HHSC and DFPS Coordination

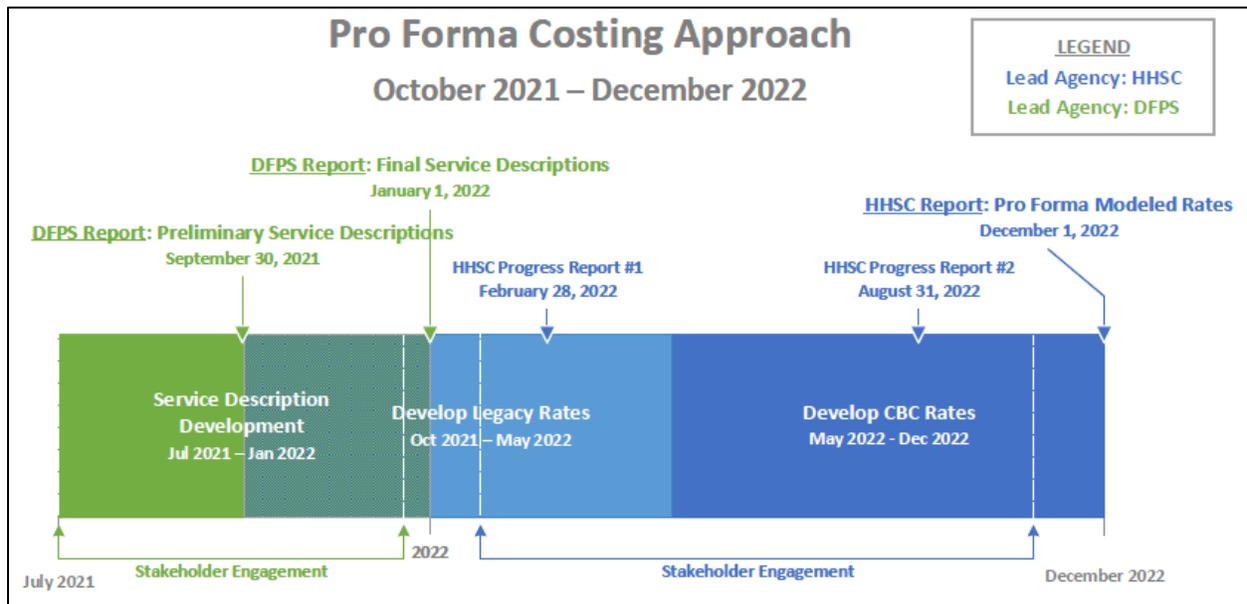
Beginning in June 2021, DFPS and HHSC began meeting regularly regarding the Foster Care Rate Modernization project. These meetings included discussions and updates related to staffing; procurement of professional services, including DFPS's coordination with the University of Texas at Austin (UT); the implementation plan; interagency dependencies; service description development; stakeholder involvement; and the development of the Qualified Residential Treatment Program (QRTP) rates for the pilot program.

### Pro forma Costing Approach Update

As of February 28, 2022, HHSC has been unable to begin the pro forma rate development phase of the implementation plan outlined in the "Foster Care Rate Modernization: Development & Implementation Plan." As a result, the planned completion date for this work, and the corresponding final report due on December 1, 2022, are anticipated to be delayed.

As illustrated in Figure 1, HHSC planned to begin the preliminary pro forma costing approach for the DFPS legacy rates beginning in October 2021 and conclude in May 2022. HHSC's deliverable was dependent on the comprehensiveness of DFPS's preliminary new program service descriptions by September 30, 2021 and finalized service descriptions by January 1, 2022 (Special Provision 26(d)). The inter-agency interdependencies were published in the Foster Care Rate Modernization: Development & Implementation Plan and are included in Appendix C.

**Figure 1. Pro Forma Costing Approach Timeline**



## Service Descriptions

The pro forma costing approach begins with the development of detailed descriptions of the new or revised service or program model the state seeks to provide. Service descriptions should outline the minimum and reasonable requirements a provider must meet to deliver a particular service. Service requirements should also include:

- provider credentials and qualifications;
- minimum staffing levels to ensure access, safety, and quality of care; and
- the facility, transportation, and administration costs necessary to ensure service delivery.

The service description should also include any assumptions necessary for rate development. If rates vary by level of care, HHSC would require DFPS to provide assumptions regarding eligibility requirements and any specific needs of an individual receiving services, including individual acuity, behavioral, or medical requirements. This description should inform the program model as appropriate based on the scope of each service; a comprehensive service description should serve as a model for all aspects of a program or service that could reasonably impact a provider's cost to deliver that service.

In addition, the service description should address PCG's recommendations regarding incentive payments to Child Placing Agencies (CPAs) and facility providers to improve quality and additional foster family recruitment and retention supports.

If DFPS wants to incorporate new functions not currently included in the residential rates, such as family work, family engagement, and aftercare, they must clearly identify these as part of their new service or program models. If identified, HHSC can include these costs into the pro forma rate development.

In June 2021, HHSC provided DFPS with service description information. This information included a preliminary template to outline comprehensive service descriptions or program models used to recommend payment rates.

**Figure 2. Service Model Required Components**

Service Name & Description	<ul style="list-style-type: none"> <li>• What are the minimum required activities being performed in the service?</li> </ul>
Client Profile	<ul style="list-style-type: none"> <li>• Who is receiving the service?</li> <li>• Is there variation in need?</li> <li>• Are there other factors that affect service cost?</li> </ul>
Service Providers	<ul style="list-style-type: none"> <li>• Who is providing the service?</li> <li>• Are there any requirements to perform the service (i.e., education, training, certification)?</li> </ul>
Location	<ul style="list-style-type: none"> <li>• Where is the service being provided? (i.e., client's home, other residence, nursing or other facility, etc.)</li> </ul>
Frequency	<ul style="list-style-type: none"> <li>• How often is the service being provided and billed? (i.e., daily, weekly, monthly, 15-minute increments, hourly, per treatment)</li> </ul>
Program Assumptions	<ul style="list-style-type: none"> <li>• Are there staffing ratios? (i.e., 1:1 staff to client)</li> <li>• Are there limits? (i.e., five hours per week, two hours per day, caseload caps)</li> </ul>
Other Considerations	<ul style="list-style-type: none"> <li>• Any considerations not captured above.</li> </ul>

## Evaluation of DFPS’s Preliminary Service Descriptions

DFPS provided a draft of the preliminary service description report to HHSC to review on September 17, 2021. After reviewing the draft of the report, HHSC provided feedback to DFPS on September 22, 2021, confirming the preliminary services descriptions were not sufficient for rate setting purposes. HHSC requested

DFPS continue to refine the service descriptions based on the template outlined in Figure 2.

## **Evaluation of DFPS's Final Service Descriptions**

DFPS and HHSC continued to meet regularly after the publication of DFPS's preliminary service description report.

During this time, HHSC and DFPS focused on the QRTP pilot program's pro forma rate development, which is outlined later in this report. HHSC also requested drafts of the updated service descriptions. In early December, DFPS confirmed HHSC would not receive a draft of the finalized service descriptions until published, but DFPS was able to provide HHSC with a draft of the program model/matrix and an overview of their draft final service description report.

HHSC received DFPS's Foster Care Rate Modernization Report: Final Service Descriptions on December 31, 2021. Based on the review of this report, HHSC lacks sufficient information to perform the pro forma rate setting process. For example, DFPS's report does not provide clearly defined services that include the necessary information as outlined in the service description template. In addition, the report does not provide a clear outline for how the base service and the add-ons will interact with one another. Within the report, DFPS indicates "Some of the service add-ons listed may require future modification as assumptions are validated and refined based on stakeholder feedback."

## **Clarification of DFPS's Finalized Service Descriptions**

On January 10, 2022, HHSC formally notified DFPS by letter that DFPS's finalized service description report lacked sufficient detail for rate setting purposes and outlined a plan for providing clarifying questions and a request to increase the weekly meetings.

HHSC provided approximately 550 questions seeking clarification on the finalized service descriptions to DFPS on January 11, 2022, and January 21, 2022. These clarifying questions were related the Foster Family Care Base Package, Foster Family Care Add-Ons, General Residential Operation (GRO) TIER One, the GRO TIER One Add-ons, the normalcy activities, and general rate structure questions. In

addition to these questions, HHSC has asked for DFPS to provide clarifying information for GRO TIER II, as it relates to the QRTP pilot program, which is outlined further in this report.

DFPS and HHSC increased the number of meetings per week, with additional weekly meetings focused solely on the purpose of documenting and receiving clarification for HHSC questions. As of February 14, 2022, DFPS and HHSC have completed the review of the normalcy activities, Foster Family Care Base Package, and the Foster Family Care Add-On questions. Of the approximate 270 questions reviewed, approximately 200 have been resolved and the remaining are pending feedback from subject matter experts and the validation and refinement survey.

## **QRTP Pilot Pro Forma Rate Setting Process**

As mentioned in DFPS's Foster Care Rate Modernization Report: Final Service Description, DFPS is in the process of piloting the QRTP model. DFPS indicated the information gained from the pilot will be used to further define the GRO Tier-II service package. HHSC began coordinating with DFPS on the QRTP pilot at the beginning of calendar year 2021. Beginning in October 2021, DFPS sent HHSC initial QRTP pilot model information. This work included DFPS's finalizing the service descriptions for the QRTP program model and HHSC conducting a pro forma costing approach. HHSC also conducted the cost determination and reimbursement determination processes. During this process, HHSC and DFPS met with a facility DFPS identified who performed similar services to the QRTP. HHSC finalized the economic models based on the above processes and developed the methodological rates. HHSC provided DFPS with options for the methodological rates for DFPS's consideration on February 2, 2022.

HHSC anticipates being able to leverage some of the pro forma rate information that was completed for the QRTP pilot as the agency conducts the pro forma costing approach for the GRO Tier-II service package. This will require DFPS to identify what elements of the pro forma information will be applicable as HHSC conducts the cost determination and reimbursement determination processes.

## **Clarification of DFPS's Validation and Refinement Process**

In addition to the questions, HHSC sought clarification on a definitive timeline of the referenced validation and refinement process outlined in the finalized service description report. DFPS informed HHSC on October 21, 2021 that they were

coordinating with UT to develop a survey to engage stakeholders and validate DFPS's service descriptions. HHSC Provider Finance began attending the DFPS meetings with UT on November 4, 2021 to provide insight from a rate setting perspective.

HHSC attended UT facilitated workshops with providers, advocates, and foster parents from January 18, 2022 through January 26, 2022. HHSC staff listened to stakeholder feedback and provided information, when appropriate, on rate setting processes. UT provided drafts of the proposed survey to HHSC on February 1, 2022 and February 3, 2022, respectively. HHSC staff provided feedback and recommendations on February 4, 2022 related to rate setting, Medicaid feasibility/credentialing, and results of HHSC's testing on the functionality of the survey. The surveys were distributed to providers from February 7, 2022, through February 18, 2022. DFPS has indicated HHSC will have the results of the survey by March 4, 2022. The survey is more than 300 questions (or approximately 50 pages). If the analysis of responses, with the information incorporated as formal modifications to the Final Service Descriptions, is not available to HHSC on March 4, 2022, HHSC will experience further delays in the ability to develop the Pro Forma rate model.

## **Cost Report Modifications**

HHSC requires 24-Hour RCC provider agencies to submit cost reports "in order to ensure adequate financial and statistical information upon which to base reimbursement" 1 Texas Administrative Code (TAC) Section 355.101. Cost reports collect each provider's allowable expenses associated with delivering services, as applicable to the currently defined rate methodology or program model or service descriptions from the previous year. Cost report collection allows HHSC to recommend payment rates based upon the actual allowable costs incurred by providers delivering services within a program. Since actual reported provider costs are the basis for HHSC's rate calculations, rate development tends to be retrospective.

HHSC collects DFPS' 24-hour RCC cost reports on an annual basis from contracted providers. For instance, the 2021 cost reports will be due by April 2022. This process is similar to HHSC's process for collecting Medicaid cost reports; however, HHSC collects Medicaid costs reports biennially instead of annually. Once the cost/accountability reports are collected, HHSC completes a financial examination of each report received to ensure costs are accurate and all reported costs are allowable under TAC rules and cost report instructions.

In response to the required rate methodology evaluation outlined in Special Provision 32, 86th Legislative Session, PCG provided cost report-specific recommendations. HHSC has incorporated the following recommendations into the 2021 cost report template. After the financial examination process is complete, HHSC will be able to evaluate the examined data.

- Added the geographic location for GRO/Residential Treatment Centers (RTCs) of each provider's program facility where services are delivered.
- Modified the cost report to collect each provider's revenue from DFPS.
- Modified the cost report to Specify Fundraising in Non-DFPS Revenue.

## 4. Progress Report Template

**Table 1. Key Milestones and Completion Dates.**

**Art. II, Special Provision 26 Program Report**

<b>Milestone</b>	<b>Action Item</b>	<b>Planned Completion Date</b>	<b>Completion Date</b>	<b>Progress Update</b>
<b>HHSC to Provide Draft Implementation Plan to DFPS</b>	Entire Foster Care Modernization Project	6/1/2021	6/1/2021	Complete
<b>DFPS to Provide Response to Implementation Plan Draft</b>	Entire Foster Care Modernization Project	7/1/2021	6/30/21	Complete
<b>HHSC to Provide Service Description Template to DFPS</b>	Pro Forma Rate Development	6/30/21	6/22/21	HHSC provided the service description template on March 9, 2021, June 22, 2021, and October 13, 2021.
<b>DFPS to Provide Preliminary Service Descriptions</b>	Pro Forma Rate Development	9/30/2021	9/17/2021	Complete

Milestone	Action Item	Planned Completion Date	Completion Date	Progress Update
<b>HHSC to Provide Feedback/Clarifying Information for DFPS' Consideration when Finalizing Service Descriptions</b>	Pro Forma Rate Development	10/15/2021	9/22/2021	HHSC notified DFPS the preliminary services descriptions were not sufficient for rate setting purposes and requested DFPS continue to refine the descriptions based on the templates previously provided by HHSC.

<b>Milestone</b>	<b>Action Item</b>	<b>Planned Completion Date</b>	<b>Completion Date</b>	<b>Progress Update</b>
<b>HHSC to Identify Additional Information/Assumptions DFPS will have to Provide for Pro Forma Rate Modeling</b>	Pro Forma Rate Development	11/1/2021	12/8/2021	This milestone was dependent on obtaining additional information from DFPS after the communication on 9/22/21. HHSC Provider Finance requested updates on the preliminary service descriptions starting in October and received a program matrix on 12/2/21. HHSC began providing general questions in our December weekly meetings and formal questions after receipt of DFPS’s finalized service description report.
<b>DFPS to Provide Finalized Service Descriptions</b>	Pro Forma Rate Development	1/1/2022	12/31/2021	HHSC notified DFPS the services descriptions were not sufficient for rate setting purposes and requested DFPS continue to refine the descriptions.

<b>Milestone</b>	<b>Action Item</b>	<b>Planned Completion Date</b>	<b>Completion Date</b>	<b>Progress Update</b>
<b>HHSC to Begin Pro Forma Rate Modeling Process, to include stakeholder engagement</b>	Pro Forma Rate Development	1/1/2022	1/1/2022	<p>HHSC continued the pro forma rate modeling process with the information HHSC currently has received. HHSC is seeking clarification on DFPS's finalized service descriptions, which includes awaiting the results of the UT survey. HHSC and DFPS are meeting routinely to address questions. Stakeholder engagement will be incorporated into the process once HHSC receives the requested information.</p>

## 5. Conclusion

HHSC's Foster Care Rate Modernization deliverables for the project are currently delayed as HHSC is seeking clarification on DFPS's finalized service descriptions. HHSC anticipates receiving the clarification through regularly scheduled meetings with DFPS and the results of the UT survey. The results of the UT survey are anticipated to be provided to HHSC by March 4, 2022. Once HHSC receives the clarifications and determines there is no significant information still pending, HHSC will be able to evaluate the implementation plan and make modifications, as appropriate.

To attempt to reduce potential further delays, HHSC is proceeding with the cost determination and rate determination processes based on the information HHSC has received thus far. These processes include HHSC building the economic models and developing a crosswalk of current cost report data to the new program model costs or reputable external sources if the data is not available. On February 16, 2022, HHSC presented DFPS with a draft of the economic models based on the information received.

In addition, HHSC Provider Finance plans on working with PCS to award a contract for the professional services as early as March 2022. When developing the SOW and solicitation, HHSC outlined all potential functions the awarded contractor could perform to assist HHSC with their project deliverables. HHSC is currently evaluating how best to utilize these professional services, in conjunction with the FTEs, to mitigate the delays to our implementation plan/timeline.

## List of Acronyms

<b>Acronym</b>	<b>Full Name</b>
<b>CANS</b>	Child Adolescent Needs and Strengths Assessment
<b>CBC</b>	Community-Based Care
<b>CPAs</b>	Child Placing Agencies
<b>DFPS</b>	Department of Family Protective Services
<b>FTEs</b>	Full-Time Equivalents
<b>GRO</b>	General Residential Operations
<b>HHSC</b>	Health and Human Services Commission
<b>H.B.</b>	House Bill
<b>MCO</b>	Managed Care Organization
<b>MCS</b>	Medicaid and CHIP Services
<b>MH</b>	Mental Health
<b>PCG</b>	Public Consulting Group
<b>PCS</b>	Procurement and Contracting Services Division
<b>QRTP</b>	Qualified Residential Treatment Program
<b>RCC</b>	Residential Child Care
<b>RTCs</b>	Residential Treatment Centers
<b>S.B.</b>	Senate Bill
<b>SOW</b>	Statement of Work
<b>SSCCs</b>	Single Source Continuum Contracts
<b>STAR</b>	State of Texas Access Reform
<b>TAC</b>	Texas Administrative Code
<b>TCM</b>	Targeted Case Management
<b>UT</b>	The University of Texas at Austin

## **Appendix A. Special Provision 26**

### **Sec. 26. Reimbursement Rates and Methodology; Reporting Requirements: Legacy Foster Care, Community Based Care Services, and Other Child Services.**

- (a) In addition to the amounts appropriated above to the Department of Family and Protective Services (DFPS) is \$352,853 in General Revenue and \$1,772 in Federal Funds in fiscal year 2022 and \$99,763 in General Revenue and \$920 in Federal Funds in fiscal year 2023 and 1.0 full-time equivalent (FTE) each year in Strategy B.1.2, CPS Program Support, for the development of a new reimbursement rate methodology for foster care, community-based care, and other child services.
- (b) In addition to the amounts appropriated above to the Health and Human Services Commission (HHSC) is \$2,810,482 in General Revenue and \$355,652 in Federal Funds and 6.1 FTEs for the 2022-23 biennium for the development of a new reimbursement rate methodology for foster care, community-based care, and other child services, allocated as follows:
  - (1) \$1,565,370 in General Revenue and \$7,859 in Federal Funds in fiscal year 2022 and \$905,673 in General Revenue and \$8,354 in Federal Funds in fiscal year 2023, and 5.1 FTEs in each fiscal year in Strategy L.1.1, HHS System Supports, to support administrative and salary costs related to the implementation of this section; and
  - (2) \$296,628 in General Revenue and \$296,628 in Federal Funds in fiscal year 2022, and \$42,811 in General Revenue and \$42,811 in Federal Funds in fiscal year 2023, and 1.0 FTE each fiscal year in Strategy B.1.1, Medicaid Contracts and Administration.
- (c) Out of funds identified above in subsection (a) of this rider, DFPS shall develop, with the assistance of HHSC, an alternative reimbursement methodology proposal for the Eighty-eighth Legislature for foster care and community-based care rates, including:
  - (1) Aligning the rates to specific, clearly defined, program models;
  - (2) Pricing the elements of the program models using cost report data and market analysis;
  - (3) Reviewing the rate calculations with stakeholders to refine the models and price;

- (4) For facility-based programs, paying the rates that align to the placement setting in which a child resides, for as long as the child resides there;
  - (5) For foster family rates, maintaining the same rate for an identified period of time after a child is assessed as ready for a lower placement level to allow the family to sustain the progress that has been made;
  - (6) Using CANS assessments (and other tools) to inform placement and service decisions and track progress;
  - (7) Tracking regional differences in CANS scores and costs to determine if trends emerge;
  - (8) Considering the types of personnel and credentials that are desired for programs and factor commensurate and competitive salaries into the model budget legacy rate development process across the state;
  - (9) Developing incentive payments for child placement agencies and residential programs for desired outcomes such as timely permanency, recruiting and retaining foster homes, successful moves to lower levels of care, clinical improvements, and other outcomes as determined by DFPS;
  - (10) Defining placement settings and services that align to children's needs with rates that tie to those specific settings and services and clarifying the program expectations for each setting, such as staffing requirements, supervisory expectations, training, and other support and operating assumptions;
  - (11) Continuing the exceptional care "carve out";
  - (12) Implementing a risk reserve;
  - (13) Reviewing opportunities to increase the Title IV-E eligibility rate;
  - (14) Increasing kinship licensing; and
  - (15) Developing a method to claim costs associated with child.
- (d) DFPS shall submit to the Legislative Budget Board, the Governor, the Chair of the House Appropriations Committee, the Chair of the Senate Finance Committee, the Speaker of the House, the Lieutenant Governor, the permanent standing committees in the House of Representatives and the Senate with jurisdiction over health and human services, and HHSC:
- (1) a report detailing the preliminary new service descriptions upon which the new rate methodology will be based no later than September 30, 2021;

- (2) a report detailing the final service descriptions no later than January 1, 2022; and
  - (3) a semi-annual progress report of all related activities undertaken by DFPS every six months beginning on February 28, 2022.
- (e) HHSC shall submit to the Legislative Budget Board, the Governor, the Chair of the House Appropriations Committee, the Chair of the Senate Finance Committee, the Speaker of the House, the Lieutenant Governor, the permanent standing committees in the House of Representatives and the Senate with jurisdiction over health and human services, and DFPS:
- (1) a plan for the development of pro forma modeled rates and cost-report based rates, using the service descriptions described in subsection (c) of this rider, including key milestones and identified interagency dependencies, and for the implementation of all other recommendations related to reimbursement rate methodologies made in the report entitled "Foster Care Methodology as required by the 2020-21 General Appropriations Act, House Bill 1, 86th Legislature, Regular Session, 2019 (Article II, Special Provisions Relating to All Health and Human Services Agencies, Section 32)" no later than September 30, 2021;
  - (2) a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates, no later than December 1, 2022;
  - (3) a report on the feasibility of increasing federal funds for use in providing these services by February 1, 2023; and
  - (4) a semi-annual progress report of all related activities undertaken by HHSC every six months beginning on February 28, 2022.

## **Appendix B. PCG's Recommendation Rate Methodology Crosswalk**

DFPS and HHSC are committed to working collaboratively. This joint effort includes sharing information and subject matter expertise on a routine basis in order to meet the charge inherent in Special Provision 26.

The following table includes references to all recommendations contained in the PCG report. Based on changes to both state and federal law, and as informed by information gathered from stakeholders, and through analysis of more current foster care data, it may be determined that some recommendations stand to be modified or are determined to no longer be applicable.

**Table 2. This table identifies each of PCG’s recommendations with pro forma costing or cost report rate methodology approaches and any interagency dependencies.**

<b>PCG’s Recommendation</b>	<b>Short Description</b>	<b>Directly or Indirectly Related to Rate Methodology or Other</b>	<b>Milestones</b>	<b>Interagency Dependencies</b>
<b>Individualized Needs of Children Recommendation #1</b>	Align the rates to specific, clearly defined program models.	Pro Forma Costing Approach	9/30/21 – Preliminary Service Descriptions 1/1/22 – Finalized Service Descriptions	<p>DFPS to identify a core set of service packages the state would procure to meet the various needs of children statewide.</p> <p>DFPS to develop an assessment tool and Utilization Management process for evaluating children in care to align with the service models included in the foster care placement continuum.</p> <p>DFPS to hold stakeholder forums to receive feedback and help in guiding the development of service descriptions. HHSC will serve as a resource, as needed.</p> <p>DFPS to provide HHSC with the finalized proposed program service descriptions, including provider qualifications and expectations, and minimum staffing ratios.</p>

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Individualized Needs of Children Recommendation #2</b>	Price the elements of the program models using cost report data and market analysis.	Pro Forma Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate to implement these rates.	<p>DFPS to provide the necessary assumptions for HHSC to develop an economic model for each of the program models (i.e., service descriptions, staffing ratios, etc.).</p> <p>HHSC to develop a crosswalk of current cost report data to the new program model costs. If these costs are not currently available, HHSC will utilize reputable external sources as applicable.</p> <p>DFPS to provide feedback and approve the crosswalk and assumptions.</p> <p>DFPS to provide the utilization assumptions for new services or program models.</p> <p>DFPS to provide the anticipated utilization for the new program models or services to incorporate in fiscal estimates.</p>
<b>Individualized Needs of Children Recommendation #3</b>	Review the rate calculations with stakeholders to refine the models and price.	Pro Forma Costing Approach	1/2022 – 6/2022 – HHSC will lead stakeholder forums to discuss and receive feedback on economic models.	DFPS to serve as a resource during these sessions.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Individualized Needs of Children Recommendation #4a</b>	For facility-based programs, pay the rates that align to the placement setting in which a child resides, for as long as the child resides there.	Pro Forma Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	Fiscal estimates will be based on assumptions provided by DFPS as informed by the assessment and Utilization Management process.
<b>Individualized Needs of Children Recommendation #4b</b>	For foster family rates, maintain the same rate for some period after a child is assessed as ready for a lower placement level to allow the family to sustain the progress that has been made. In other states, this time period ranges from 30 days to much longer.	Pro Forma Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	This recommendation is already inherent in the current service level system (if the level lowers, there is time before a new level is applied to allow for adjustment). Any change to this process will be provided by DFPS upon completion of the assessment/Utilization Management process to support the new continuum.  DFPS to provide assumptions around the length of time to hold rate constant after a child is assessed as ready for a lower placement level.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Individualized Needs of Children Recommendation #5</b>	Use CANS assessments (and other tools) to inform placement and service decisions and track progress.			DFPS anticipates identifying a uniform assessment tool(s) based on the final service continuum. It is likely that modification will need to be made to the existing CANS tool, and there will be a cost associated with ensuring reliability and increased frequency of assessment.
<b>Individualized Needs of Children Recommendation #6</b>	Recalculate the rate every three (3) years and in between when there are significant program changes.	Cost Report Approach	2/1/2025 and after.	HHSC recommends standard rate reviews be conducted at least once every biennium. This may be more frequent due to significant program changes or as requested by DFPS.
<b>Regional Variations in Costs</b>	PCG does not recommend geographic modifiers to rates based on CANS. PCG recommends continuing to track regional differences in CANS scores and costs to determine if trends emerge.	Cost Report Approach	2/1/2025 and after.	DFPS and HHSC will evaluate if rates need to be adjusted for regional variations in cost.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Locally Competitive Wages</b>	PCG does not recommend a geographic modifier for rates. PCG recommends that DFPS/HHSC consider the types of personnel and credentials that are desired for programs and factor commensurate and competitive salaries into the model budget legacy rate development process across the state.	Pro Forma Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	<p>HHSC, in consultation with DFPS and stakeholders, to identify industries to use for comparisons with different staff types employed by 24-hour RCC providers when developing the economic models.</p> <p>HHSC can calculate the cost of paying an appropriate minimum wage for direct care staff in the 24-hour RCC program and evaluate how supplemental programs that support direct care wages could be expanded to residential child care.</p> <p>Recommended rates and fiscal estimates will include assumptions from competitive wage analysis.</p>
<b>Least Restrictive Environments and High-Quality Services Recommendation #1</b>	For foster family homes, when a child is assessed as eligible for a lower level of placement, keep the rate constant for some period of time to allow the child/youth to continue to receive needed services to sustain the progress that has been made.	Pro Forma Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	DFPS to provide assumptions around the length of time to hold rate constant after a child is assessed as ready for a lower placement level.

<b>PCG's Recommendation</b>	<b>Short Description</b>	<b>Directly or Indirectly Related to Rate Methodology or Other</b>	<b>Milestones</b>	<b>Interagency Dependencies</b>
<b>Least Restrictive Environments and High-Quality Services Recommendation #2</b>	Develop incentive payments for CPAs and residential programs for desired outcomes such as timely permanency, recruiting and retaining foster homes, successful moves to lower levels of care, clinical improvements, etc.	Pro Forma Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	DFPS to include descriptions and assumptions regarding incentive payments as part of their service descriptions if incentive payments are to be included in the pro forma costed rates.
<b>Least Restrictive Environments and High-Quality Services Recommendation #3</b>	Incorporate more foster family recruitment and retention support into the CPA retainage rate	Pro Forma Rate Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	DFPS to include descriptions and assumptions regarding additional recruitment and retention support for CPAs as part of their program models and service descriptions.  If the additional recruitment and retention support for CPAs is included in the service descriptions and/or program models, HHSC will incorporate it into recommended pro forma rates and fiscal estimates.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Least Restrictive Environments and High-Quality Services Recommendation #4</b>	Incorporate more family work, family engagement, and aftercare into the residential rates.	Pro Forma Rate Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	DFPS to include descriptions and assumptions regarding additional family work, family engagement, and aftercare as part of their program models and service descriptions.  If the additional family work, family engagement, and aftercare assumptions are included in the service descriptions and/or program models, HHSC will incorporate them into recommended pro forma rates and fiscal estimates.
<b>Sustainable CBC Model Recommendation #1</b>	Calculate the daily blended rates based on the new legacy rates and CBC regional utilization data.	Pro Forma Rate Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	DFPS to provide direction on assumptions, including the level of risk sharing they prefer to be assumed in the CBC blended rates.  DFPS to provide estimated utilization for CBC to be used in rate calculations and fiscal estimates.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Sustainable CBC Model Recommendation #2</b>	Adjust the rate for known prospective changes (program changes, price increases, etc.) specific to the CBC regions.	Pro Forma Rate Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	HHSC will continue to adjust rates for known programmatic or economic changes.
<b>Sustainable CBC Model Recommendation #3</b>	Utilize CANS data to validate the CBC placement trends and track changes in case mix by region.			DFPS to evaluate the reliability of the CANS data.
<b>Sustainable CBC Model Recommendation #4</b>	Reforecast the daily blended rates annually	Cost Report Rate Approach	2/1/2025 and after	HHSC recommends standard rate reviews are conducted at least once every biennium. This schedule may be more frequent due to significant program changes or as requested by DFPS.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Risk Mitigation Strategies Recommendation #1</b>	Continue the exceptional care "carve out."			DFPS will continue exceptional care "carve out." However, the methodology for this may look different as service gaps are identified and new services are defined that have traditionally been purchased using child-specific contracts. Child-specific contracts are the basis for determining the exceptional care rate.
<b>Risk Mitigation Strategies Recommendation #2</b>	Implement a risk reserve.			DFPS and HHSC to determine a methodology for calculating the risk reserve and then provide cost to the Legislature – to determine how the methodology compliments the continued use of exceptional care.
<b>Sound Rate Development Principles Recommendation #1</b>	Recalculate the legacy rates to tie to specific placement settings and programs.	Pro Forma Rate Costing Approach	12/1/2022 – HHSC will publish a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates.	See Dependencies for Individualized Needs of Children Recommendation #1.  DFPS will define service packages that may be offered in one or more placement settings. Therefore, the historical "rate tied to placement setting" may not be appropriate under the newly defined service continuum.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Sound Rate Development Principles Recommendation #2</b>	Utilize current CBC placement data to project the daily blended rate annually.	Cost Report Approach	2/1/2025 and after	See Dependencies for Sustainable CBC Model Recommendation #1.
<b>Sound Rate Development Principles Recommendation #3</b>	Consider adjusting the rates annually for inflation and continue adjustments as needed for significant program or policy changes.	Cost Report Rate Approach	2/1/2025 and after	HHSC recommends that standard rate reviews be conducted at least once every biennium. These reviews may be more frequent due to significant program changes or as requested by DFPS.
<b>Federal Funds Recommendation #1</b>	Maximize the use of Medicaid waivers for youth with high behavioral health needs.	Other	2/1/2023 Report	<p>Rider 34 (2022-23 GAA, Article II, HHSC) directs HHSC to apply for an 1115 waiver to obtain federal financial participation for Institute for Mental Disease stays, only if HHSC determines such a waiver would result in net savings to the state. There is considerable overlap with the 1115 recommendation here. HHSC will likely contract out the cost-savings analysis for Rider 34, and the timeline is not yet determined.</p> <p>DFPS will provide available data and will act as a resource to HHSC.</p>

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Federal Funds Recommendation #2</b>	Encourage STAR Health, Local Mental Health Authorities, and providers to maximize the use of S.B. 1177 In-Lieu-Of Services.	Other	2/1/2023 Report	Pending CMS approval of SB 1177 in lieu of services. If CMS does not approve, HHSC will not be able to implement this recommendation.  DFPS will provide available data and will act as a resource to HHSC.
<b>Federal Funds Recommendation #3</b>	Increase the use of TCM and MH Rehab Service within the current MCO model.	Other	2/1/2023 Report	This recommendation will require a full-scale study. HHSC staff or a contractor will have to solicit feedback from stakeholders, including Local Mental Health Authorities, other TCM/Rehab providers, and DFPS. This study will also require input from Provider Finance, as the PCG recommendations reference "rate sufficiency."  DFPS will provide available data and will act as a resource to HHSC.
<b>Federal Funds Recommendation #4</b>	Follow-up on the S.B. 58 Integration of Behavioral Health and TCM Services into the Managed Care Model.	Other	2/1/2023 Report	DFPS will provide available data and will act as a resource to HHSC.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Federal Funds Recommendation #5</b>	Conduct a feasibility study to determine costs and implications of bundling TCM and Medicaid Mental Health Rehab into the provider payment structure.	Other	2/1/2023 Report	This recommendation will require a full-scale study. HHSC will likely engage a contractor to work with DFPS, CBC/SSCC providers, and residential providers to obtain information and data to inform this analysis. Input and data will also be needed from HHSC Provider Finance and Regulatory.  DFPS will provide available data and will act as a resource to HHSC.
<b>Federal Funds Recommendation #6</b>	Streamline the Medicaid credentialing process.	Other	2/1/2023 Report	This recommendation is dependent on an existing project. HHSC is in the process of implementing a new Provider Enrollment Management System, which is intended to streamline the Medicaid provider enrollment process. DFPS will provide available data and will act as a resource to HHSC.
<b>Federal Funds Recommendation #7</b>	Review Opportunities to increase the Title IV-E eligibility rate.	Other	2/1/2023 Report	DFPS will leverage previous work efforts to inform this recommendation.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<b>Federal Funds Recommendation #8</b>	Increase kinship licensing.	Other		<p>HHSC Child Care Regulation per SB 1896 is charged with developing provisional kinship licensing requirements. DFPS will evaluate new standards and work with federal partners to determine compliance with FFPSA requirements. If so, DFPS may begin process requirements for claiming for new setting.</p> <p>State law and policy require that kinship families be provided information on becoming licensed at time of placement.</p>
<b>Federal Funds Recommendation #9</b>	Develop Title IV-E Administrative Claiming strategies for GRO/RTC placements.	Cost Report Approach	4/1/2023	HHSC will review the Title IV-E allowable administrative cost requirements and current cost report framework to ensure IV-E eligible costs are being captured accurately.
<b>Federal Funds Recommendation #10</b>	Develop a method to claim costs associated with child-specific contracts.	Other		DFPS will continue to evaluate if federal claiming requirements can be met for these unique settings.
<b>Cost Report Recommendation #1</b>	Geographic location of the provider's program facility where services are delivered.	Cost Report-Approach	2/1/2022	HHSC added to the cost report template for the FY2022 Cost report. This change will be effective 2/1/22.
<b>Cost Report Recommendation #2</b>	Discrete Reporting by Service.	Cost Report-Approach	2/1/2025	Assumes program models and pro forma costed rates are implemented on 9/1/2024.

<b>PCG's Recommendation</b>	<b>Short Description</b>	<b>Directly or Indirectly Related to Rate Methodology or Other</b>	<b>Milestones</b>	<b>Interagency Dependencies</b>
<b>Cost Report Recommendation #3</b>	Report DFPS Revenue.	Cost Report-Approach	2/1/2022	HHSC added to the cost report template for the FY2022 Cost report. This change will be effective 2/1/22.
<b>Cost Report Recommendation #4</b>	Specify Fundraising in Non-DFPS Revenue.	Cost Report-Approach	2/1/2022	HHSC added to the cost report template for the FY2022 cost report. This change will be effective 2/1/22.
<b>Cost Report Recommendation #5</b>	One Agency cost report to include all programs.	Cost Report-Approach	2/1/2025	HHSC will evaluate ways to streamline the cost report template once program models have been defined and implemented.
<b>Cost Report Recommendation #6</b>	Update Cost Report to Isolate Qualified Residential Treatment Program (QRTP) Costs	Cost Report-Approach	2/1/2025	HHSC will update the cost report to isolate QRTP costs once these services have been defined and implemented.

# **Appendix C. Interagency Dependencies for Pro forma Rates**

To adequately determine the fiscal impact and methodological rates, HHSC and DFPS will complete the following items:

## **Service Descriptions or Program Models**

- DFPS to identify a core set of service packages for the state to procure to meet the various needs of children statewide.
- DFPS to develop a more robust assessment tool and process to evaluate children in care to align with the service models included in the foster care placement continuum.
- DFPS to hold stakeholder forums to present or discuss the proposed core set of service packages and assessment tools. HHSC will serve as a resource, as needed.
- DFPS to provide HHSC the finalized proposed program service models, to include service descriptions, provider qualifications and expectations, and minimum staffing ratios.

## **Cost Determination and Rate Determination Processes**

- HHSC to develop a crosswalk of current cost report data to the new program model costs. If these costs are not currently available, HHSC will utilize reputable external sources as applicable.
- DFPS to provide feedback and approve the crosswalk and assumptions.
- DFPS to provide utilization assumptions for new services or program models

## **Stakeholder Engagement**

HHSC will schedule stakeholder meetings and incorporate stakeholder feedback in revised economic models and recommended rates as appropriate. DFPS will serve as a resource during these sessions.

## **CBC Rate Development**

- DFPS to confirm decisions regarding risk-sharing assumptions to be implemented within the blended rates.

- DFPS to determine SSCC data reporting, consistency in child placements or service levels, or both as appropriate.
- DFPS to provide utilization assumptions for new services or program models on a per catchment basis.

## Appendix D. References

- Department of Family and Protective Services (2021). DFPS. *Foster Care Rate Modernization: Preliminary Service Descriptions*.  
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- Department of Family and Protective Services (2021). DFPS. *Foster Care Rate Modernization: Final Service Descriptions*.  
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