



Foster Care Rate Modernization: Development & Implementation Plan

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
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Executive Summary

The Foster Care Rate Methodology Report Development and Implementation Plan is submitted pursuant to the 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(e)(1)).

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 the Texas Health and Human Services Commission (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). Furthermore, this plan includes key milestones and identified interagency dependencies for all other recommendations related to reimbursement rate methodologies. The full text of Special Provision 26 is in Appendix A.

1. Background

H.B. 5, 85th Legislature, Regular Session, 2017, codified at Section 40.058, Human Resources Code, requires the 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 recommended 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 for foster care and CBC rates with the assistance of HHSC. In addition, DFPS and HHSC are assigned independent deliverables. Both agencies received appropriations and full-time equivalents (FTEs) to support the agencies’ efforts to meet the assigned deliverables. HHSC received appropriations to support 12 FTEs to support rate-setting development, implementation, and feasibility studies, and DFPS received one FTE to support service plan development.

HHSC’s initial deliverable is to submit an implementation plan for the development of pro forma modeled rates and cost-report-based rates. This plan must use the service descriptions developed by DFPS as outlined in subsection (c) of Special Provision 26. In March 2021, HHSC drafted a potential implementation plan to inform the Legislature what activities would be required to implement PCG’s recommendations. HHSC shared the plan with DFPS and requested their review and feedback. DFPS provided feedback on the draft implementation plan. HHSC provided DFPS a draft template for the service description information needed to support rate-setting activities in June 2021. In addition, HHSC and DFPS began to

meet regularly in July 2021 to coordinate interagency-dependent deliverables. HHSC developed the following information and plan with assistance from DFPS to outline key information, agencies' deliverables, action items, and interagency dependencies.

2. Current Rate Methodology

DFPS currently reimburses providers through two payment models described in this section: the legacy system and CBC.

Under the legacy system, DFPS pays 24-hour RCC providers a payment rate for each day of care provided. The rate depends on the placement setting type and the child's assessed service level¹. HHSC uses provider cost reports to calculate rates for Child Placing Agencies (CPAs), including a foster family passthrough, General Residential Operations (GRO), including GRO Multiple Services and GRO Child Care Services, Residential Treatment Centers (RTCs), and Emergency Shelters (ES). HHSC also sets rates for Temporary Emergency Placement (TEP), Treatment Foster Family Care (TFFC), and Intensive Psychiatric Transition Program (IPTP). For each setting, HHSC calculates a weighted mean or median rate. For CPAs, GRO, and RTCs, HHSC applies a service level index that adjusts the rates based on the child's service level. Rates for ES, TEP, TFFC, and IPTP do not vary by service level. All calculated rates are adjusted upward by seven percent to approximate the 60th percentile, consistent with other facility-based program rates. This calculation results in the methodological rates. The final rates are limited to available appropriations, as determined by the Legislature.

CBC pays blended rates intended to approximate what the state would have paid under the legacy system. HHSC calculates a statewide average blended rate using the current legacy rates and forecasted placement days. DFPS provides HHSC with projected days of care by Service Level, Placement Type, and Strata (based on age at entry and duration of care) for Legacy catchments. HHSC then develops average rates for each stratum based on the projected Legacy days while maintaining the overall statewide average. HHSC uses the statewide average rate for each stratum and projected number of placement days by strata for each CBC catchment area to develop a blended daily rate for each catchment area. Exceptional care days and payments are "carved out" of the blended rate and provide relief for some very high-cost cases.

¹ The only exception to this process is when a child's needs cannot be met within the standard service level system, and the state must pursue and enter a child specific contract.

3. Key Milestones

Special Provision 26(c) directs DFPS to develop an alternative reimbursement methodology proposal for the 88th Legislature for foster care and CBC rates with the assistance of HHSC. This proposal must include, but is not limited to:

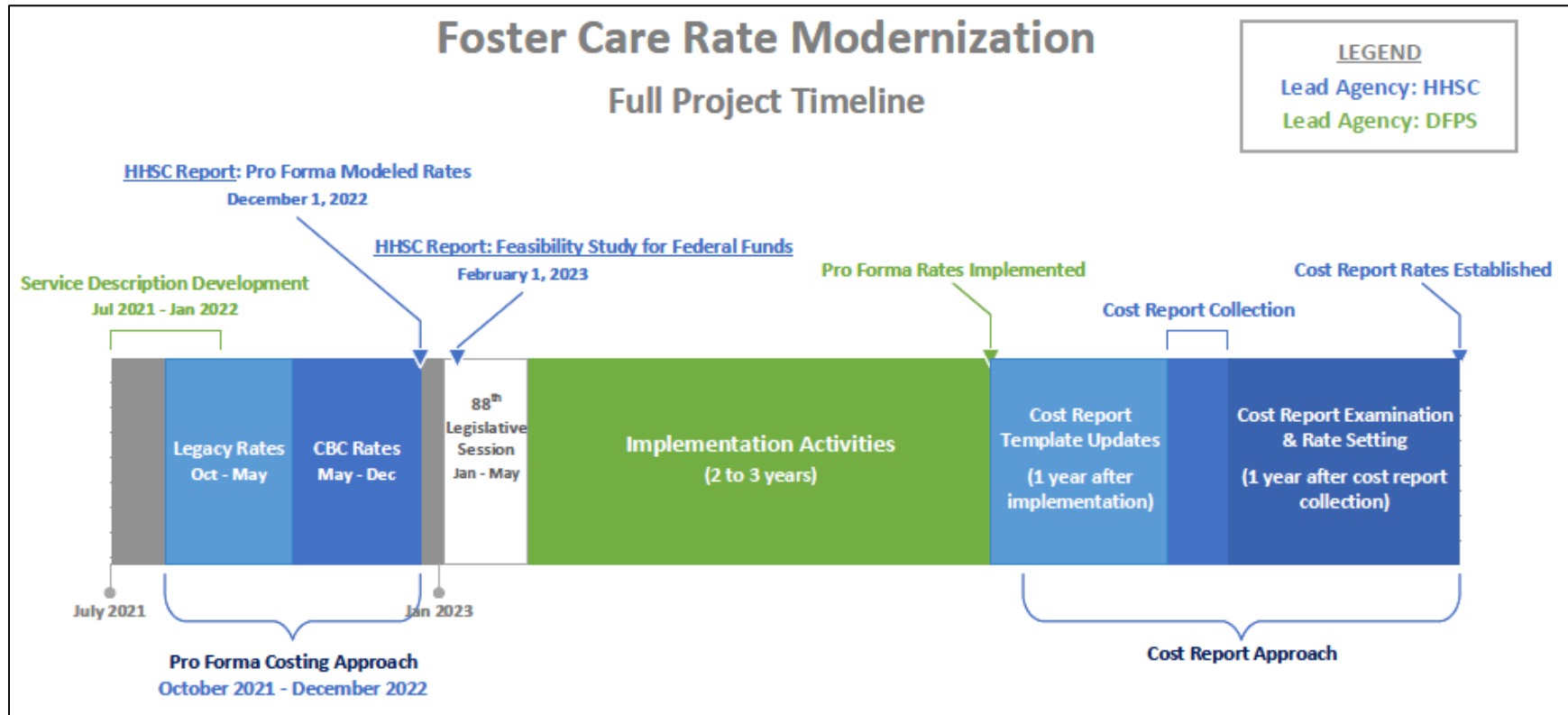
- (1) Aligning the rates to specific, clearly defined program models;
- (2) Pricing the elements of the program models using cost report data and market analysis; and
- (3) Reviewing the rate calculations with stakeholders to refine the models and price.

Below is a high-level timeline for this project. The timeline assumes DFPS will provide preliminary new program service descriptions by September 30, 2021, and finalized service descriptions by January 1, 2022. These milestones are specified in Special Provision 26(d).

HHSC, in coordination with identified stakeholders and DFPS, will develop recommended payment rates and fiscal estimates using a pro forma costing approach for the legacy foster care system and CBC by December 1, 2022. HHSC and DFPS will concurrently evaluate recommendations and conduct feasibility studies regarding maximizing federal funds for DFPS' 24-hour RCC program. A comprehensive list of PCG's recommendations may be found in Appendix B.

HHSC will submit a report regarding evaluations involving Medicaid services to children in state conservatorship to the Legislature by February 1, 2023.

Figure 1. Foster Care Rate Modernization Project Timeline



To implement the model, DFPS would be required to conduct various implementation activities. DFPS indicated these activities could include, but are not limited to, overhauling the placement and payment part of the Information Management Protecting Adults and Children in Texas (IMPACT) IT system, re-procuring or amending approximately 380 Residential Child Care contracts, revamping policy and forms, training DFPS and Single Source Continuum Contractor (SSCC) casework staff on the new system, training members of the judiciary on the new system, etc. The timeline proposes that the new program models could be implemented by September 1, 2024.

HHSC would update our cost report template to collect provider cost data after new services are delivered. Cost reports will be collected after the first full year that services are provided under the revised methodology. The cost data will then be verified through HHSC's financial examination process. Once costs are verified, HHSC would calculate and recommend revised provider rates to DFPS using cost report data.

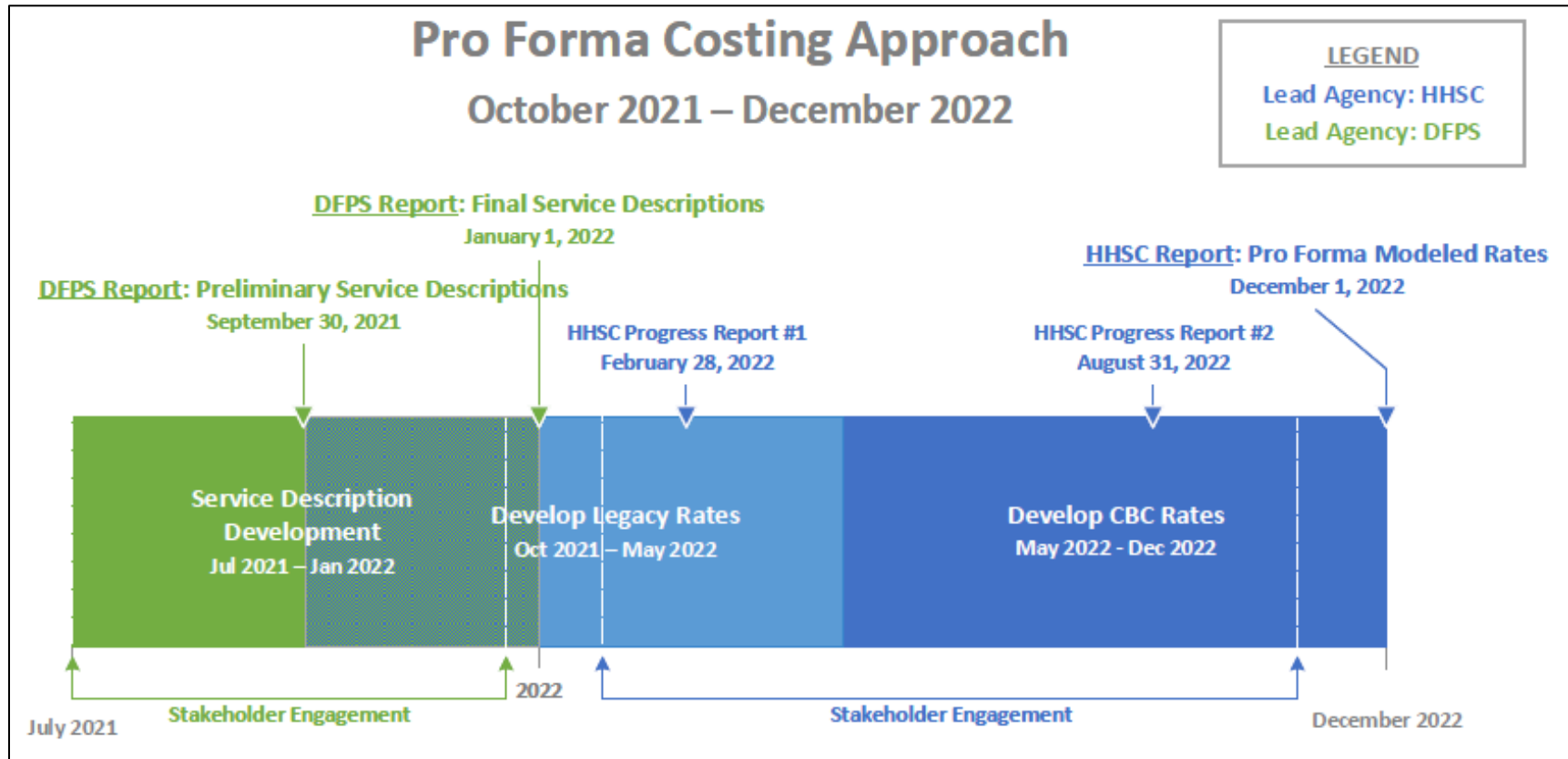
4. Pro Forma Rate Development

Pro Forma Costing Approach

Title 1 of the Texas Administrative Code (1 TAC) Section 355.101 defines HHSC's approach to pro forma costing as "When historical costs are unavailable, such as in the case of a new program, reimbursement may be based on a pro forma approach. This approach involves using historical costs of delivering similar services, where appropriate data are available, and estimating the basic types and costs of products and services necessary to deliver services meeting federal and state requirements."

A pro forma costing approach allows HHSC to use cost data for similar services, external data from reputable public or commercial sources, and necessary and reasonable programmatic assumptions. This data is used to develop anticipated costs and recommended payment rates for new or revised comprehensive services when sufficient historical cost data are unavailable.

Figure 2. 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 CPA 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 recommended payment rates.

Figure 3. Service Model Required Components

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

After September 30, 2021, HHSC will evaluate DFPS’s preliminary service descriptions to provide feedback on any necessary clarifications needed to develop pro forma rates. This evaluation will include a preliminary evaluation of the potential cost report data or reputable external data required to develop the economic models or pro forma rates. HHSC will provide the feedback to DFPS for consideration as they finalize the service descriptions.

After January 1, 2022, HHSC will evaluate DFPS’s finalized service descriptions and begin developing economic models to develop the pro forma modeled rates.

Cost Determination and Reimbursement Determination Processes

Once the service descriptions or program models are complete, HHSC will begin developing the economic models. To develop an economic model, HHSC conducts two related processes. HHSC uses the detailed service descriptions to inform the cost determination process, which seeks “to define direct and indirect costs that are allowable and, therefore, may be considered” in rate development. The purpose is

“to collect accurate financial and other statistical data that constitutes the foundation upon which reimbursements are determined” (1 TAC Section 355.101).

If historical cost data exists, HHSC will develop a crosswalk of applicable and current cost report data to the new or revised program model or service description. If appropriate cost data are not currently available, HHSC will utilize reputable external sources as applicable to inform costs a provider is anticipated to incur during service delivery. Per PCG’s recommendation, HHSC will consider the types of personnel and credentials desired for programs and factor commensurate and competitive salaries into the costs for each service description or program model during the cost determination process. As long as it is included in the service description, HHSC will incorporate additional foster family recruitment and retention support into the CPA retainage rate per PCG’s recommendation. Once HHSC determines appropriate costs for all items in the service description or program model, the reimbursement determination process occurs.

The reimbursement determination process seeks “to identify those levels of cost, either for individual cost items or groups of cost items, which must be incurred by efficient and economic providers of services meeting all state and federal standards” (1 TAC Section 355.101). The reimbursement determination process seeks to develop reasonable payment rates based on median provider costs and expected service utilization.

By December 1, 2022, HHSC will finalize the cost and rate determination processes. For each service proposed to be included within DFPS’ 24-Hour RCC program service array, HHSC will develop pro forma modeled costs according to a template based upon the example provided in PCG’s Foster Care Rate Methodology Report (Figure 4 below). HHSC will use this report to share detailed cost estimates and rate expectations with the 88th Legislature and external stakeholders, as requested.

Figure 4. Model Template used during Pro Forma Costing Approach

Model Budget by Service (CPA, GRO, RTC, etc.)			
Model Service Capacity	###	Model Days of Care	#,###
Personnel			
Personnel	Salary	FTE	Model Expense
Position 1 (occupation, credentials, etc.)	\$\$,\$\$\$	###	\$\$,\$\$\$
Position 2 etc. (type, credentials, etc.)	\$\$,\$\$\$	###	\$\$,\$\$\$
Total Program Staff Costs			\$\$\$,\$\$\$
Tax and Fringe Benefits		%.%%	\$\$,\$\$\$
Total Model Personnel Costs			\$\$\$,\$\$\$
Operating Costs			
Operating Costs	Operating Amount/Unit	Operating Unit	Model Expense
Occupancy	\$ Per Unit	#,###	\$\$,\$\$\$
Other Program Expenses	\$ Per Unit	#,###	\$\$,\$\$\$
Total Operating Costs			\$\$\$,\$\$\$
Other Costs			
Indirect Expenses		%.%%	\$\$,\$\$\$
Model Budget Subtotal			\$\$\$,\$\$\$
Subtotal with Inflation Factor		%.%%	\$\$\$,\$\$\$
Subtotal with Utilization Factor (for GRO and GRO-ES only)		%.%%	\$\$\$,\$\$\$
Total Model Budget Cost			\$\$\$,\$\$\$
Calculated Daily Rate			\$\$\$,\$\$

FIGURE 7: MODEL BUDGET CALCULATION EXAMPLE - THIS RATE BUILD-UP METHODOLOGY ALLOWS FOR CLEAR ASSOCIATIONS BETWEEN PROGRAM ELEMENTS AND INPUTS AND THE RATE.

Stakeholder Engagement

DFPS initiated stakeholder engagement activities in July 2021. As of September 2021, DFPS has met with hundreds of providers to present information and solicit feedback. These efforts included:

- Meeting with the Texas Alliance of Child and Family Services Board of Directors;
- A kick-off meeting that all licensed and contracted childcare providers were invited to attend for a virtual presentation and were able to ask questions and offer feedback on the Foster Care Rate Modernization project; and
- Engagement of Casey Family Programs, an organization supporting the facilitation of multiple focus groups to help inform recommendations around new service descriptions.

HHSC routinely engages with external stakeholders and program experts during the cost determination and rate determination processes. Stakeholder feedback informs the development of the economic models to ensure appropriate costs are captured and assumptions are correctly applied. HHSC anticipates scheduling a series of meetings over the next year to ensure key stakeholders have ample opportunity to

provide feedback and review decisions made throughout this project. DFPS will serve as a resource during these sessions.

Economic Models and Recommended Payment Rates

The result of the cost determination and rate determination processes and stakeholder engagement sessions is to develop appropriate payment rates and fiscal estimates that balance program objectives, including “promoting reasonable access for eligible clients to services that meet federal and state quality standards...and expending taxpayer dollars in a reasonable and prudent manner such that eligible clients are served at the lowest cost to taxpayers consistent with state and federal laws, standards and regulations, and with program objectives,” under 1 TAC Section 355.101.

The economic models and recommended rates using the pro forma costing approach also address some additional recommendations presented in PCG’s report. PCG recommended that the payment rates be maintained for a child’s entire duration in a residential program or setting. The recommendation for foster family homes is to maintain the rate for a specific period after a child’s assessed service level changes. HHSC can develop economic models and associated fiscal estimates that assume rates are held constant to meet these two recommendations. However, some additional guidance may be needed from DFPS about the length a certain rate should be paid. For example, HHSC requires utilization projections from DFPS to develop fiscal estimates.

CBC Rate Development

HHSC will develop and recommend payment rates for the 24-hour RCC program’s Legacy foster care system through the processes described above. These payment rates will be used to inform the blended rates used to pay SSCCs in DFPS CBC system. The current CBC system rate methodology uses legacy foster care rates adjusted by strata, considering a child’s age and length of time in state care.

PCG’s report recommended three changes to the CBC blended rate methodology that HHSC and DFPS should evaluate. First, they encouraged Texas to calculate the daily blended rates based on the new legacy rates and CBC regional utilization data. This change requires DFPS to direct the SSCCs to determine and report child placement consistently, report the amount they paid each provider using an encounter or similar claiming system, or both. PCG recommended that HHSC utilize “CBC placement data to project the daily blended rate annually.” HHSC can calculate the blended rate on any schedule requested by DFPS or the Texas

Legislature. Finally, PCG recommended that the state “consider an annual adjustment to the rates for inflation or significant programmatic changes.” HHSC and DFPS already include these factors in the blended rate calculations. HHSC will continue to work with DFPS to develop a CBC rate methodology to incorporate the legacy rates developed through the pro forma costing approach and PCG’s other recommendations into the CBC rate methodology.

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.

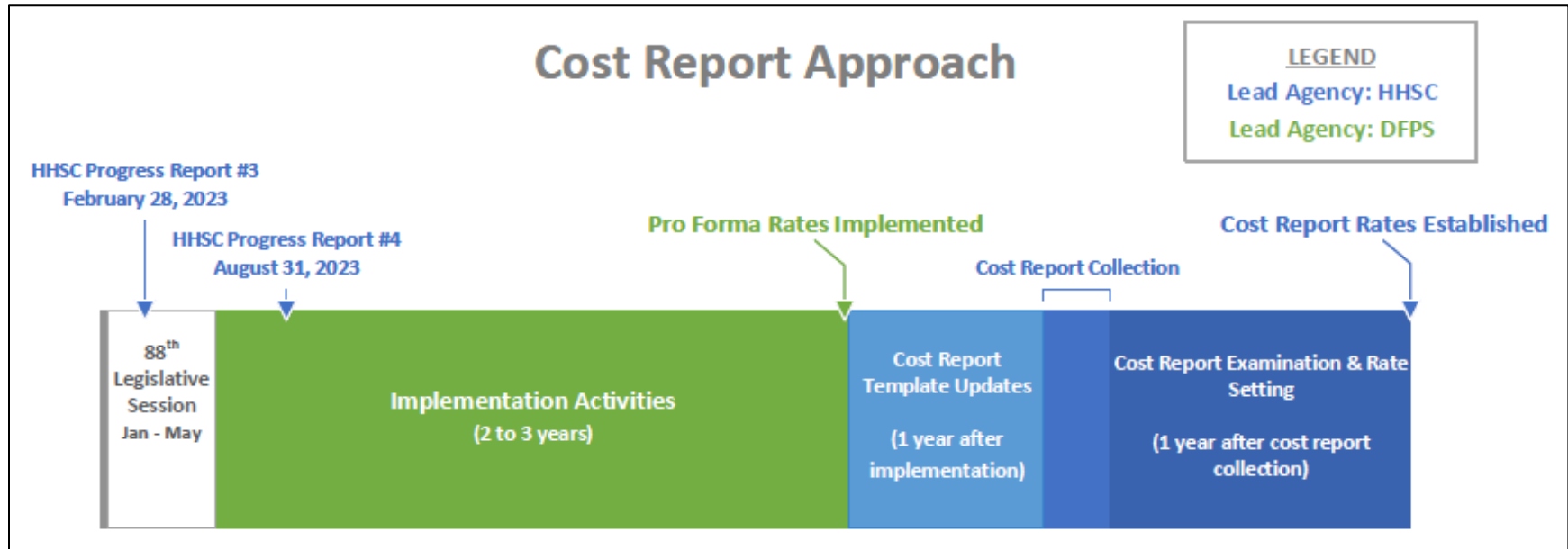
5. Cost Report Rates Development

Cost Report Approach

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 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 in 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.

Figure 5. Timeline for Cost Report Approach



Cost Report Template Development and Cost Report Collection

In response to the required rate methodology evaluation outlined in Special Provision 32, 86th Legislative Session, PCG provided cost report-specific recommendations. In their report, PCG made the following recommendations related to changes to the cost report template:

- Add the geographic location of each Provider's program facility where services are delivered.²
- Modify the cost report to split reporting by service, particularly separating GROs and RTCs.
- Modify the cost report to collect each provider's revenue from DFPS.²
- Modify the cost report to Specify Fundraising in Non-DFPS Revenue.²
- Modify the cost report to develop one agency cost report to include all programs instead of multiple cost reports.
- Modify the cost report to isolate the Qualified Residential Treatment Program (QRTP).

PCG did not recommend that HHSC add a geographic modifier for rates yet, but HHSC can use the geographic identifier on the cost reports until then. HHSC can work with DFPS to determine if a combination of cost reports and Child Adolescent Needs and Strengths Assessment (CANS) scores can be used to determine if trends emerge indicating a need for a rate modifier based on differences in each provider's geographic location.

After services using the revised methodology become effective, HHSC will update the cost report template to align with and complement the new rate methodology. These cost reports will be collected after providers have delivered services under the new methodology for one year. Once cost reports are collected, HHSC will

² HHSC identified some of the recommendations as not directly related to the development of new program models or service descriptions. Therefore, these recommendations can be implemented prior to the implementation of a new pro forma rate methodology. In response to these recommendations, HHSC plans to update the cost report template by February 1, 2022. These updates align with the current rate methodology and allow HHSC to begin collecting certain information by 2022 and afterward.

conduct our financial examination process and finalize the data for rate-setting purposes. This process can take approximately one year.

HHSC cannot determine a timeline without additional information from DFPS. DFPS should confirm the need for any contracting updates, system changes, and assessment tools to be modified or created to support the new rate methodology. If DFPS requires modifications or changes, they must confirm the timeframe and resources required to implement the new rate methodology.

Cost Determination and Reimbursement Determination Processes

Once the cost reports are collected, HHSC completes a cost determination process like the one described above for the pro forma costing approach. The cost determination process for cost report data includes a financial examination of each cost report received to ensure costs are accurate and all reported costs are allowable under TAC rules and cost report instructions. Allowable costs are “expenses that are reasonable and necessary to provide contracted client care and are consistent with federal and state laws and regulations” 1 TAC Section 355.102.

Once the financial examinations are completed, the reimbursement determination process begins. In this process, allowable cost data from completed reports are inflated from the year costs were incurred by providers to the anticipated rate year. The cost data may also be modified for known economic or program changes. HHSC determines a weighted median or mean for each cost area to be paid according to the service description or program model specifications. HHSC utilizes a weighted median or mean to ensure that recommended payment rates are sufficient to support “efficient and economic providers of services meeting all state and federal standards” 1 TAC Section 355.101. Recommended payment rates based on providers’ actual costs trended to future rate years are the result.

CBC Rate Development

HHSC currently collects cost reports for SSCCs that deliver services in DFPS’s CBC system. However, the SSCC cost reports are not used to determine the CBC blended rate at this time. Once CBC is expanded to most of the state, HHSC and DFPS must evaluate if calculating a statewide rate using actual SSCC cost data is appropriate. Using SSCC costs to calculate the CBC rate may improve the state’s ability to align rates more closely to provider costs, and HHSC and DFPS would have to evaluate if a cost-based approach is appropriate for CBC.

PCG recommended in their report that DFPS continue risk mitigation strategies for CBC providers, including the exceptional care “carve out” and implement a risk reserve. HHSC will assist DFPS in maintaining an appropriate risk mitigation strategy for CBC.

Interagency Dependencies for Cost Report Rates

Dependencies to support the new rates before providers can provide cost reports include the following:

Cost Report Template Development and Cost Report Collection

- DFPS’ New Program Models implemented with pro forma rates.
- HHSC to update cost report templates and begin collecting cost report data.
- Once cost report data are collected, examined, and ready for rate-setting purposes, HHSC will develop methodological rates and move from a pro forma costing methodology to a cost report-based methodology.

Cost Determination and Reimbursement Determination Processes

- HHSC will update the cost report financial examination process to account for program and cost report template changes.
- HHSC will update rate calculations to reflect program and cost report template changes to calculate cost report-based rates.

CBC Rate Development

HHSC includes the 24-hour RCC rate reviews in our biennial fee review process. This rate has been excluded due to the Special Provisions 26 evaluation. HHSC will resume including these rates in the biennial fee review process once the new program model-based rates are implemented, including stakeholder engagement.

6. Federal Funds Recommendations

The 86th Legislature directed HHSC, in consultation with DFPS, to evaluate the methodology for establishing foster care rates according to 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). Special Provision 32 specifically defined the outcome of the evaluation as “maximizing the efficient and effective use of federal funds to improve capacity and address gaps in care, including increasing access to current Medicaid benefits such as mental health rehabilitation and targeted case management services; identifying Medicaid benefits offered in other states for foster youth that decrease hospitalization and lower costs; and improving reporting and tracking of data to maximize Title IV-E Reimbursements.”

In response, PCG outlined 10 federal fund recommendations pertaining to Medicaid, Title IV-E, or both, that should be evaluated, addressed, or both, by either HHSC, DFPS, or both.

HHSC Recommendations:

- Maximize the use of Medicaid waivers for youth with high behavioral needs.
- Encourage STAR Health, Local Mental Health Authorities, and providers to maximize the use of In-Lieu-Of Services from Senate Bill (S.B.) 1177, 86th Legislature, Regular Session, 2019.
- Increase the use of Targeted Case Management (TCM) and Mental Health Rehab Service within the current Medicaid managed care organization (MCO) model.
- Follow-up on the S.B. 58, 83rd Legislature, Regular Session, 2013. Integration of Behavioral Health and TCM Services into the Managed Care Model.
- Conduct a feasibility study to determine the costs and implications of bundling TCM and Medicaid Mental Health Rehab into the provider payment structure.
- Streamline the Medicaid credentialing process.

DFPS-Lead Recommendations:

- Review Opportunities to increase the Title IV-E eligibility rate.
- Increase kinship licensing.
- Title IV-E Administrative Claiming strategies for GRO or RTC placements.
- Develop a method to claim costs associated with child-specific contracts.

HHSC and DFPS previously provided initial feedback and information regarding these recommendations in the Foster Care Rate Methodology Report published by HHSC on February 1, 2021. HHSC will be conducting feasibility studies and other research or evaluation to address PCG's recommendations, which will be addressed in a legislative report to be submitted by February 1, 2023. DFPS will be conducting research or evaluations to address PCG's recommendations during 2022.

Interagency Dependencies for Federal Funds

- DFPS may have to provide data to HHSC to conduct further evaluation and feasibility studies (i.e., child-level data).
- DFPS will have to confirm if the service descriptions or program models are Family First compliant. The Title IV-E match is dependent on compliance with the Family First Act.
- DFPS will require collaboration with HHSC Child Care Regulation to determine the implementation of kinship provisional license requirements from S.B. 1896, 87th Legislature, Regular Session, 2021.

7. Conclusion

HHSC and DFPS meet regularly to ensure they meet each respective agencies' independent deliverables outlined by Special Provision 26. These meetings are intended to identify key milestones or action items for interagency-dependent deliverables, set mutually agreed upon target completion dates, identify the specific interagency dependencies, and avoid duplication of effort between both agencies.

The high-level implementation plan outlined below reiterates information mentioned previously in this plan. It focuses on the key milestones to develop the pro forma model rates and complete HHSC's legislative reports due respectively on December 1, 2022, and February 1, 2023.

Table 1. Key Milestones and Completion Dates.

Key Milestones	Target Completion Date	Status
HHSC to Provide Draft Implementation Plan to DFPS	6/1/2021	Complete
DFPS to Provide Response to Implementation Plan Draft	7/1/2021	Complete
HHSC to Provide Service Description Template to DFPS	6/30/2021	Complete
DFPS to Provide Preliminary Service Descriptions	9/30/2021	
HHSC to Provide Feedback/Clarifying Information for DFPS' Consideration when Finalizing Service Descriptions	10/15/2021	
HHSC to Identify Additional Information/Assumptions DFPS will have to Provide for Pro Forma Rate Modeling	11/1/2021	

Key Milestones	Target Completion Date	Status
DFPS to Provide Finalized Service Descriptions	1/1/2022	
HHSC to Begin Pro Forma Rate Modeling Process, to include stakeholder engagement	1/1/2022	
HHSC to Submit Legislative Report to Include: Pro Forma Rate Model(s), Fiscal Impact(s), and Implementation Considerations	12/1/2022	
HHSC to Submit Legislative Report regarding Federal Funds Recommendations	2/1/2023	

Semi-Annual Progress Reports

Special Provision 26(e) directs HHSC to submit a semi-annual progress report of all related activities undertaken by HHSC to the Legislative Budget Board, Governor, Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House, Lieutenant Governor, permanent standing committees in the House of Representatives and the Senate with jurisdiction over health and human services, and DFPS according to the following schedule:

- Progress Report #1: February 28, 2022
- Progress Report #2: August 31, 2022
- Progress Report #3: February 28, 2023
- Progress Report #4: August 31, 2023

A draft of the progress report template is in Appendix C. The progress report will provide action items specific to the milestones listed in the high-level implementation plan above with progress updates, completion dates, or both.

List of Acronyms

1 TAC	Texas Administrative Code
CANS	Child Adolescent Needs and Strengths Assessment
CBC	Community-Based Care
CPAs	Child Placing Agencies
DFPS	Department of Family Protective Services
ES	Emergency Shelters
FTEs	Full-Time Equivalents
GRO	General Residential Operations
HHSC	Health and Human Services Commission
HB	House Bill
IPTP	Intensive Psychiatric Transition Program
MCO	Managed Care Organization
MH	Mental Health
PCG	Public Consulting Group
QRTP	Qualified Residential Treatment Program
RCC	Residential Child Care
RTCs	Residential Treatment Centers
SB	Senate Bill
SSCCs	Single Source Continuum Contracts
STAR	State of Texas Access Reform
TCM	Targeted Case Management
TEP	Temporary Emergency Placement
TFFC	Treatment Foster Family Care

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 reference 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.

PCG’s Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
<p>Individualized Needs of Children Recommendation #1</p>	<p>Align the rates to specific, clearly defined program models.</p>	<p>Pro Forma Costing Approach</p>	<p>9/30/21 – Preliminary Service Descriptions 1/1/22 – Finalized Service Descriptions</p>	<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 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
<p>Individualized Needs of Children Recommendation #2</p>	<p>Price the elements of the program models using cost report data and market analysis.</p>	<p>Pro Forma Costing Approach</p>	<p>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>	<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>

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Individualized Needs of Children Recommendation #3	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.
Individualized Needs of Children Recommendation #4a	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 off assumptions provided by DFPS as informed by the assessment and Utilization Management process.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Individualized Needs of Children Recommendation #4b	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 level lowers, there is time before 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 new continuum. DFPS to provide assumptions around length of time to hold rate constant after a child is assessed as ready for a lower placement level.
Individualized Needs of Children Recommendation #5	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.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Individualized Needs of Children Recommendation #6	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.
Regional Variations in Costs	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
<p>Locally Competitive Wages</p>	<p>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.</p>	<p>Pro Forma Costing Approach</p>	<p>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>	<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>

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Least Restrictive Environments and High-Quality Services Recommendation #1	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 length of time to hold rate constant after a child is assessed as ready for a lower placement level.
Least Restrictive Environments and High-Quality Services Recommendation #2	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.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Least Restrictive Environments and High-Quality Services Recommendation #3	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	<p>DFPS to include descriptions and assumptions regarding additional recruitment and retention support for CPAs as part of their program models and service descriptions.</p> <p>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.</p>
Least Restrictive Environments and High-Quality Services Recommendation #4:	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	<p>DFPS to include descriptions and assumptions regarding additional family work, family engagement, and aftercare as part of their program models and service descriptions.</p> <p>If the additional family work, family engagement, and aftercare assumptions are included in the service descriptions and/or program models, HHSC will incorporate into recommended pro forma rates and fiscal estimates.</p>

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Sustainable CBC Model Recommendation #1	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 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.
Sustainable CBC Model Recommendation #2	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.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Sustainable CBC Model Recommendation #3	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.
Sustainable CBC Model Recommendation #4	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 may be more frequent due to significant program changes or as requested by DFPS.
Risk Mitigation Strategies Recommendation #1	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 exceptional care rate.
Risk Mitigation Strategies Recommendation #2	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.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Sound Rate Development Principles Recommendation #1	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 method under newly defined service continuum.
Sound Rate Development Principles Recommendation #2	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.
Sound Rate Development Principles Recommendation #3	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.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Federal Funds Recommendation #1	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 a 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>
Federal Funds Recommendation #2	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	<p>Pending CMS approval of SB 1177 in lieu of services. If CMS does not approve, HHSC will not be able to implement this recommendation.</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
Federal Funds Recommendation #3	Increase the use of TCM and MH Rehab Service within the current MCO model.	Other	2/1/2023 Report	<p>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."</p> <p>DFPS will provide available data and will act as a resource to HHSC.</p>
Federal Funds Recommendation #4	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
Federal Funds Recommendation #5	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	<p>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.</p> <p>DFPS will provide available data and will act as a resource to HHSC.</p>
Federal Funds Recommendation #6	Streamline the Medicaid credentialing process.	Other	2/1/2023 Report	<p>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.</p>
Federal Funds Recommendation #7	Review Opportunities to increase the Title IV-E eligibility rate.	Other	2/1/2023 Report	<p>DFPS will leverage previous work efforts to inform this recommendation.</p>

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Federal Funds Recommendation #8	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 requires that kinship families be provided information on becoming licensed at time of placement.</p>
Federal Funds Recommendation #9	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.
Federal Funds Recommendation #10	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.
Cost Report Recommendation #1	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.

PCG's Recommendation	Short Description	Directly or Indirectly Related to Rate Methodology or Other	Milestones	Interagency Dependencies
Cost Report Recommendation #2	Discrete Reporting by Service.	Cost Report-Approach	2/1/2025	Assumes program models and pro forma costed rates are implemented on 9/1/2024.
Cost Report Recommendation #3	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.
Cost Report Recommendation #4	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.
Cost Report Recommendation #5	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.
Cost Report Recommendation #6	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. HHSC Draft of Progress Report Template

Progress Report Template

Below is the draft of the HHSC Progress Report Template that will be used to provide updates regarding completed activities, accomplishments, and progress towards upcoming milestones.

Table 3. A sample template for the required progress reports HHSC must submit to the Texas Legislature.

Art. II, Special Provision 26 Program Report				
Milestone	Action Item	Planned Completion Date	Completion Date	Progress Update

Appendix D. References

Public Consulting Group, Inc. (2021). HHSC. *Foster Care Rate Methodology Report*. <https://www.hhs.texas.gov/sites/default/files/documents/laws-regulations/reports-presentations/2021/foster-care-rate-methodology-feb-2021.pdf>.

Reimbursement rates for cost determination process: 1 TAC Chapter 355.101, introduction. (1996). Austin, Tex.: Texas Health and Human Services Commission.

Reimbursement rates for cost determination process: 1 TAC Chapter 355.102, general principles of allowable and unallowable costs. (1996). Austin, Tex.: Texas Health and Human Services Commission.