



Presentation to the Special Senate Committee on Child Protective Services – Foster Care Rates: Cost Reporting, Methodology and Forecasting

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Rates Overview

- Health and Human Services Commission (HHSC) Provider Finance Department (PFD) develops fee-for-service (FFS) reimbursement rates for most Health and Human Services (HHS) programs and coordinates with program staff and other agencies.
- Through an interagency contract, HHSC PFD supports the Department of Family and Protective Services (DFPS) by providing subject matter expertise and technical support for rate setting. (Section 40.058, Human Resources Code)
- The authority to determine/adopt rates is held by the Commissioner of DFPS within appropriation levels.



Foster Care Rates Supported by HHSC PFD

- 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)
- Emergency Shelters (ES)
- Temporary Emergency Placement (TEP)
- Treatment Foster Family Care (TFFC)
- Intensive Psychiatric Transition Program (IPTP)
- Community-Based Care (CBC) – modeled, updated when forecasts are provided by DFPS
- Supervised Independent Living (SIL) – pro forma model
- Qualified Residential Treatment Program pilot program – pro forma model



Cost Reports

- HHSC requires 24-hour Residential Child Care (24-Hour RCC) provider agencies to submit cost reports “in order to ensure adequate financial and statistical information upon which to base reimbursement” Title 1 of the 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.



Cost Reports

Rate Setting Cost Reporting:

- Cost report template is designed and maintained by HHSC based on current service provisions.
- DFPS provides contracted provider list and claims/unit information to HHSC.
- Cost reports are collected annually.
- Administered through web-based application.
- Cost report preparers are required to take web-based training every other year.
- Cost report instructions and training materials are available online.
- A financial examination of each cost report received is conducted to ensure costs are accurate and all reported costs are allowable under the 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.



Cost Reports: Methodology

- 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 methodological payment rates are provided to DFPS for their consideration.
- HHSC provides Title IV-E Method of Finance based on cost report data.



CBC: Methodology

- 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.



Pro Forma Modeling

- 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.



Foster Care Rate Modernization Project

- 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), directs DFPS to develop, with the assistance of HHSC, an alternative reimbursement methodology proposal for the Eighty-eighth Legislature for foster care and community-based care rates.



Foster Care Rate Modernization Project

Pro Forma Modeling Project Update*

Deliverable	Status
DFPS - Finalization of Service Descriptions and Initial Stakeholder Sessions	Completed
HHSC - Cost Determination and Reimbursement Determination Processes	On-Going
HHSC – Stakeholder Sessions	Upcoming
CBC Rate Development	Dependent on DFPS’ plan
Recommendation of Pro Forma Rates, including fiscal estimates	Dependent on DFPS’ final utilization assumptions

*The Foster Care Rate Modernization Project is a multiple year project. Once DFPS implements the new approved service array with the approved pro forma rates, cost report templates will be updated to begin collecting financial data based on the new service array and to support cost report-based rate methodology.

