



**Proposed Amendments to the Public Welfare Code  
Child Welfare Provisions<sup>1</sup>**

**Background**

The Department of Public Welfare has recently delivered amendments to the Public Welfare Code to the Pennsylvania General Assembly in support of their goal to safely reduce the number of children in foster care placement by 20% by 2010.

**Summary**

The proposed legislation amends the Public Welfare Code to modify reimbursement rates for county agencies providing children and youth services beginning in fiscal year 2010-11 and going through fiscal year 2012-13. In addition, the proposed amendments to the Public Welfare Code would provide for certain limitations for private provider agencies that contract with counties to provide services. Such limitations would begin in FY 2010-11 and would be reflected in counties needs-based budget applications for FY 2010-11. Lastly, the bill provides for the division of state allocations for the provision of services to counties and a limitation on reimbursement to counties for out-of-state placement.

**State reimbursement rates**

Beginning FY 2010-11, reimbursement rates for in-home, out-of-home and community based child welfare services would be modified – in some cases increased and in some cases reduced. All proposed reimbursement rate changes would be phased-in over a three-year period (See table below for reimbursement modifications by fiscal year).

<b>IN-HOME</b>	<b>Original Rate through FY 2009-10</b>	<b>July 1 2010 - June 30, 2011</b>	<b>July 1 2011 - June 30, 2012</b>	<b>July 1 2012 and each year thereafter</b>
ADOPTION SERVICE - Section 704.1(a)(6)	100%	100%	100%	100%
ADOPTION ASSISTANCE - Section 704.1(a)(1)	80%	82%	85%	90%
COUNSELING – DEPENDENT – Section 704.1(a)(7)(i)	80%	81%	83%	85%
DAY CARE – Section 704.1(a)(7)(ii)	80%	81%	83%	85%
DAY TREATMENT - Section 704.1(a)(7)(iii)	80%	81%	83%	85%
HOMEMAKER SERVICE – Section 704.1(a)(7)(v)	80%	81%	83%	85%
INTAKE & REFERRAL – Section 704.1(a)(7)(vi)	80%	80%	80%	80%
LIFE SKILLS – DEPENDENT – (Section 704.1(a)(7)(iv)	80%	81%	83%	85%
PROTECTIVE SERVICE - Section 704.1(a)(7)(vii)	80%	80%	80%	80%
SERVICE PLANNING – Section 704.1(a)(7)(viii)	80%	80%	80%	80%
JUVENILE ACT PROCEEDINGS – DEPENDENT	50%	50%	50%	50%

<sup>1</sup> For reference purposes, it is important to note that the proposed amendments to the Public Welfare Code delete language in the sections related to payments for child welfare services that relate particular years when reimbursement rates were adopted. These deletions are technical in nature and do not impact the provisions of the proposed amendments to the Public Welfare Code.

### COMMUNITY BASED PLACEMENTS

ALTERNATIVE TREATMENT – DEPENDENT - Section 704.1(a)(8)(i)(D)	80%	79%	77%	75%
COMMUNITY RESIDENTIAL – DEPENDENT – Section 704.1(a)(8)(i)(E)	80%	79%	78%	77%
EMERGENCY SHELTER - DEPENDENT - Section 704.1(a)(8)(C)	90%	89%	87%	85%
FOSTER FAMILY - DEPENDENT - Section 704.1(a)(8)(i)(A)	80%	82%	85%	90%
SUPERVISED INDEPENDENT LIVING – DEPENDENT - Section 704.1(a)(8)(i)(B)	80%	81%	83%	85%
<b>INSTITUTIONAL PLACEMENTS</b>				
RESIDENTIAL SERVICE – DEPENDENT – Section 704.1(a)(9)(i)	60%	58%	55%	50%
SECURE RESIDENTIAL SERVICE (EXCEPT YDC) – Section 704.1(a)(9)(i)	60%	58%	55%	50%
<b>ADMINISTRATION</b>	<b>60%</b>	<b>58%</b>	<b>55%</b>	<b>50%</b>

By inserting the above reimbursement rates in statute, the proposed amendments to the Public Welfare Code would also strike out language in Section 704.1(a)(2) that gives DPW the general authority to determine reimbursement rates ranging from 75 percent to 90 percent for reasonable costs (including staff costs) that include, but were not limited to, foster home care, group home care, shelter care, community residential care, youth service bureaus, day treatment centers and service to children in their home and any other alternative treatment programs approved by DPW and their corresponding reimbursement rates. With the inclusion of reimbursement rates in statute for each category of services, Section 704.1(a)(2) would now ensure DPW could approve and define by regulation the reasonable costs (including staff costs) for child welfare services.

The proposed amendments to the Public Welfare Code would also clarify that DPW would reimburse 50 percent of the cost for medical and other examinations or treatment for a child that were ordered by a court and for which no other public or private payer is responsible (Section 704.1(a)(5)).

In calculating reimbursement for community-based alternative treatment programs, community residential care and institutional services, the proposed amendments to the Public Welfare Code would require an estimated occupancy rate of not less than 85% for calculating daily per diem costs as part of budget and contract development. This requirement wouldn't take effect until July 1, 2010 (Section 704.1(a)(8)(ii)).

### Private Provider Budgeting Provisions

The proposed amendments to the Public Welfare Code would also insert language into the Public Welfare Code to provide for limitations on private providers' state reimbursement for certain expenses. First, like the reimbursement changes to counties for the provision of in-home, out-of-home and community-based services for dependent children, the proposed amendments to the Public Welfare Code would phase-in limitations on reimbursable administrative expenses for services that are not directly attributable to a particular facility or agency. For private providers beginning in FY 2010-11 with 15%; FY 2011-12 with 14%; and beginning in FY 2012, and each year thereafter, 13 percent (Section 704.1(a.1)(1)). There would be no cap in reimbursement for administrative expenses in FY 2009-10.

Second, the proposed amendments would limit reimbursement to private providers to 3 percent of the gross retained revenue or gross profit of a private provider agency (Section 704.1(a.1)(2)). There is no such limitation currently for child welfare private providers. However, 55 Pa Code § 4300.108 provides for a 3 percent cap for contracted services providers for mental health and mental retardation.

Third, the proposed amendments to the Public Welfare Code would authorize DPW to promulgate regulations to limit reimbursement for the costs of compensation for CEOs of private provider agencies. Until such regulations are in place, DPW would determine the maximum allowable costs of compensation consistent with regulations applicable to private agencies providing mental health and mental retardation services (Section 704.1(a.1)(3)). See 55 Pa Code § 4300.83 for requirements for compensation reimbursement for contracted agencies allowable cost standards.

Counties would not receive reimbursement for services purchased from private providers unless DPW receives information to determine compliance with the limitations on administrative expenses, gross retained revenue or gross profit, and the costs of compensation for CEOs of private provider agencies (Section 704.1(a.1)(4)).

### **Needs-Based Budget Application and Review**

Beginning with the 2010-11 needs-based budget application, counties would be required to demonstrate that the private agencies contracting with counties to provide child welfare services comply with the limitations on administrative expenses, gross retained revenue or gross profit, and the costs of compensations for CEOs (Section 709.1(a)). In the review of counties' needs-based budget application, DPW's determination of reimbursement would consider counties' prior actual and projected outcomes for the delivery of services. Again, the proposed amendments to the Public Welfare Code clarify that DPW's determination of reimbursement shall not include funding for any services purchased from private agencies if DPW has not received sufficient information to ensure compliance with the limitations on administrative expenses, gross retained revenue or gross profit, and the costs of compensations for CEOs (Section 709.2(b)).

### **County Allocation**

The proposed amendments to the Public Welfare Code require that DPW divide each county's total allocation into separate allocations for each of the four major service areas (Section 709.2(b.1)).

The four major service areas would include:

1. In-home and intake services - Child protective services (in general and for child abuse), counseling and intervention services, day care services, day treatment services, homemaker and caretaker services, information and referral services, life skills education, service planning, adoption services and adoption assistance;
2. Community-based and community residential treatment placement - Includes foster family services and group homes;
3. Institutional placement – Includes residential services, juvenile detention services and secure residential services; and
4. Administration services - Services required to manage a children and youth social services agency to ensure provision of services and performance of functions required by law (planning, budgeting, accounting, recordkeeping, staff development, the operation of a volunteer program, proportionate cost of planning, research, coordination and evaluation of activities, planning office, human service planning body).

The proposed amendments to the Public Welfare Code would also prohibit DPW from reimbursing counties for costs in the four major service areas that exceed certain limitations. Counties of the First and Second Class would be authorized to spend up to 3 percent more than the allocation for

the service category. All other counties could spend up to 10 percent or one million dollars, whichever is less, more than the allocation for the service category (Section 709.2(b.2)). Although, the proposed amendments to the Public Welfare Code provide that any time before the expiration of a fiscal year a county may make a written request to transfer funds within its total allocation from one major service category to another for that fiscal year. DPW could approve or disapprove the request, in whole or in part (Section 709.2(b.3)).

### **Out-of-State Placement**

Finally, the proposed amendments to the Public Welfare Code would prohibit DPW from reimbursing counties for the costs of services provided to a child placed in a residential facility outside of the Commonwealth, unless a county submits a written request to DPW for reimbursement of services for a child placed in a residential facility outside of Pennsylvania. In which case, DPW would have the option to approve or disapprove the request for reimbursement in whole or in part and reimburse accordingly (Section 702.2(b.4) and (b.5)).