

MEETING MINUTES
HUMAN SERVICES SUBCOMMITTEE
FEBRUARY 3, 1987

The meeting of the human services subcommittee was called to order by Chairman Cal Winslow at 8:03 a.m. on February 3, 1987 in room 108 of the state capitol building.

ROLL CALL: All committee members were present.

TESTIMONY ON THE RATE SYSTEM FOR FOSTER GROUP CARE

(29a:109) Jeff Birnbaum, vice president of the Montana Child Care Association, MRCCA, delivered a presentation which included a historical perspective of providers, how the contracted rate study with the department was conducted, and a review of the joint MRCCA-SRS statement on the need to establish a rate system for foster group care and residential treatment services for children and youth.

In the early 1970's, residential care was funded through grants only. The system of payment for these services evolved into a grant and fee (or rate) system, with foster care and group homes receiving the same fee. As grants diminished and available public sources declined, the fee system became a primary funding source for the providers. The continued erosion of public funding sources in the last five years, increased operating expenses, and rate freezes have all contributed to the financial pressure currently faced by providers. The current rates being paid by SRS are not always covering the cost of the services provided.

Mr Birnbaum then continued with the proposed reimbursement system (exhibit 2), covering the background and described possible systems for implementation. The Prospective Payment System is being endorsed as the most equitable. He continued with a summary of the current rate, cost of providing services, and the prospective payment system rates (exhibit 1). He stated a two (2) million dollar difference exists between the SRS current rate payments and provider's actual costs.

(29a:380) In response to a question from Chairman Winslow on the wage and hour issue with group home personnel, Mr Birnbaum stated the problem still exists, and the problem will probably go to litigation for resolution.

(29a:443) John Wilkinson, director of the Helena Deaconess Facility, submitted testimony (exhibit 3) on the under funding of the foster care providers, and proposed an interim rate adjustment where the state would meet 50% of the required cost per child served on a flat fee basis. This translates into a \$1.1 million dollar annual funding request.

Discussion followed on the current system and how rates are now established, process involved in placing a child into foster care or other facilities, parental and sponsor support for youth in foster care, and funding sources.

EXECUTIVE ACTION

Department of Social and Rehabilitative Services (DSRS)

Community Services Division (CSD)

Subsidized Adoption

(29b:170) Peter Blouke, LFA, described the differences between the IV-E (AFDC criteria) and non IV-E criteria, and the issue of the current SRS policy of allowing only IV-E eligible children to become new clients in the subsidized adoption program.

Dave Lewis, DSRS stated the department's position of serving only IV-E children, and thus being able to serve more children for the dollars available.

Discussion followed on this policy issue, covering the waiting list, definition of the population with the most need, and discussion for and against allowing non IV-E children to become eligible for subsidized adoption.

Sen Hims1 made a motion to accept the executive of \$175,531 for 1988 and \$175,531 for 1989.

A voice vote was taken and the motion PASSED unanimously.

Big Brothers and Sisters

(29b:414) Peter Blouke, LFA, explained the options available for the funding of this program, which is funded 75% from the general fund, and 25% local funding. Since the majority of the children served under this program are from divorced families, legislation to fund this program with earmarked revenue generated from a fee on the dissolution of marriage filing has been introduced. Three options were discussed: \$10.00 increase (\$50,000), \$25.00 increase (\$124,000) and \$30.00 (\$150,000 per year - equivalent to the general fund contribution of 75%). All figures are estimated biennial revenue projections, with the first two (2) options reducing the general fund contribution by the amount stated.

(29b:542) Sen Hims1 stated he was not convinced it was the states responsibility to provide role models or companions for children from divorced families.

Chairman Winslow stated he felt the general fund should not be involved in funding, considering the ability to track these children from the broken families to the services of this type of program. Therefore, an earmarked fee from the marriage dissolution filing would be an appropriate funding source. Sen Himsl concurred.

(29b:607) Rep Switzer moved that the funding for this program be generated from fee revenue earmarked for the Big Brothers and Sisters Program from the marriage dissolution filing, exclusive of general fund.

A voice vote was taken and the motion PASSED unanimously.

Alcohol and Drug Abuse Treatment

(30a:000) Sen Manning made a motion that the funding for this program be tied to the \$.30 tax per barrel of beer, with a spending level authority of \$227,000 per year of the biennium, no general fund revenue.

A voice vote was taken and the motion PASSED unanimously.

In response to a question from Rep Bradley, Norma Harris, CSD, stated the success rate for this program was 62%, with the cost of 40 days of treatment at \$110 a day.

Day Care

(30a:152) Sen Himsl made a motion to accept the executive of \$418,761 for 1988 and 1989.

A voice vote was taken and the motion PASSED unanimously.

Supplemental Security Income

(30a:217) Peter Blouke, LFA, noted that the committee may want to consider the issue of if there is an increase in the federal portion of the SSI supplement, should the department decrease the state's share an equal amount, with the state's share reverting to the general fund.

Discussion followed on the implications of the federal SSI funding and the state's options with the supplemental payments paid to recipients of the federal SSI program.

(30a:300) Ben Johns, DSRS, noted that the state may not have to increase it's level of effort if the federal SSI payment was increased.

(30a:332) Sen Harding made a motion that if the federal increased the SSI payment level to recipients, the state level stay at the same (not increase), with the benefits to be passed on to the general fund.

A voice vote was taken and the motion PASSED unanimously, with Rep Bradley absent.

Sen Manning made a motion to accept the executive of \$919,790 for each year of the biennium.

A voice vote was taken and the motion PASSED unanimously, with Rep Bradley absent.

Aging Services

Sen Manning made a motion to accept the executive of \$4,549,744 for 1988 and \$4,544,744 for 1989.

A voice vote was taken and the motion PASSED unanimously, with Rep Bradley absent.

Rep Switzer made a motion to transfer the \$5,000 allocated in 1988 for the Legacy Legislature to in-home services.

A voice vote was taken and the motion PASSED, with Sen Manning and Chairman Winslow voting no, and Rep Bradley absent.

Foster Care

(30a:457) Sen Manning made a motion to accept the executive of \$7,527,954 for each year of the biennium.

A voice vote was taken and the motion PASSED unanimously, with Rep Bradley absent.

Modified Request - Foster Care

(30a:575) Rep Connelly made a motion to direct SRS to develop a more equitable funding system for residential care in the next biennium, and to work with providers to that end.

A voice vote was taken and the motion PASSED unanimously, with Rep Bradley absent.

(30a:635) Norma Harris, CSD, described the issues related to this modified request (exhibit 4), and discussion followed on this being a modified request or part of the executive request, and the problem with court ordered placement.

(30b:015) Sen Manning made a motion to accept the modified request of \$250,000 per year of the biennium.

A voice vote was taken and the motion PASSED unanimously, with Rep Bradley absent.

Modified Request - Children's Trust Fund

Sen Himsl made a motion to grant the department spending authority for funds collected by the Montana Children's Trust Fund Account in the amount of \$89,300 per year of the biennium.

A voice vote was taken and the motion PASSED unanimously, with Rep Bradley absent.

Modified Request - In Home Services

(30b:067) Sen Manning made a motion to accept the modified request of \$30,000 per year of the biennium.

Sen Himsl made a substitute motion not to accept the modified request of \$30,000 per year of the biennium.

A voice vote was taken and the motion PASSED, with Sen Manning and Rep Connelly voting no, and Rep Bradley absent.

(30b:137) Pat Godbout, administrator of Centralized Services Division (CSD) of SRS, presented an overview of the functions of that division. The total expenditures for this program represent 1.3% of the department's expenditures in 1986 and the projected budget for 1988 is 1.2% of the total operating expenses for the department (exhibit 7).

(30b:250) Ms Godbout then covered the replacement of the current automated eligibility system with FAMIS (exhibit 5). She explained the current system and its shortfalls and the benefits of implementing FAMIS.

(30b:402) Ron Brown, administrator of the Audit and Program Compliance Division of SRS, presented an overview of the division, covering audits conducted, savings due to auditing procedures, quality assurance reviews, and recovery of dollars (exhibit 6).

The meeting was adjourned at 10:50 (30b:499).



Cal Winslow, Chairman

2-3-87

JOINT STATEMENT FROM THE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES AND THE MONTANA RESIDENTIAL CHILD CARE ASSOCIATION REGARDING THE NEED TO ESTABLISH A RATE SYSTEM FOR FOSTER GROUP CARE AND RESIDENTIAL TREATMENT SERVICES FOR CHILDREN AND YOUTH

The current rate system does not reflect the actual cost of providing foster group care and residential treatment services. The method of developing "negotiated" rates has produced inconsistencies between the various classes of providers as well as with providers within a given class.

The Department contracted with M.R.C.C.A. to review the rate setting process. M.R.C.C.A. in turn subcontracted with Healthcare Financial Systems of Great Falls to develop a proposed reimbursement system. It was determined that a Prospective Payment System would be the most appropriate as it is generally based on historical cost data and average payment rates. By using averages, this system treats facilities more fairly by rewarding low cost efficient facilities and reducing payments to high cost facilities.

H.F.S. surveyed all foster care providers and was able to receive responses from all but nine facilities out of 31. After the results of the survey were analyzed, the discrepancy between the current daily rate per child paid by SRS; the cost of providing the service; and the rate that would be paid should a Prospective Payment System be adopted become obvious. SRS classifies facilities into three groupings.

<u>Type of Facility</u>	<u>Number of Facilities</u>	<u>Current Rate</u>	<u>Cost of Providing Services</u>	<u>Prospective Payment System Rate</u>
Group Home	17	32.00	39.70	39.41
Shelter Care	7	25.67	50.42	50.21
Treatment Facility	7	54.00	86.28	83.75
TOTAL	31	41.72	62.99	61.69

Overall, Facilities are receiving 66 percent of what it is costing them to provide services, and are receiving 67 percent of what they would receive under a Prospective Payment System. While these figures are preliminary, it is important to note the discrepancies between the classes of providers shown above.

In sum, there is no relationship between the amount of reimbursement and the cost of the service. All providers are paid under their cost and consequently some have not survived. Some others survive through a series of formal and informal arrangements with staff that fly in the face of prudent management. However, they are committed to keeping their doors open to provide care for their youthful charges.

Specifically, we are requesting the legislature to consider the following:

1. To allow the Department to put into place a prospective rate system for foster group care and residential treatment services by July 1, 1988.
2. To recognize that, based on preliminary figures, the cost of fully implementing such a system is approximately two million dollars per year. Whereas it is likely impractical to fully implement this system for the 1989 biennium, there is a recognition that this system needs to be phased in with the goal of removing the major inequities and the major underfunding problems in the system.

One cautionary note: given that the system is seriously underfunded, any rate system that recognizes there may be "winners" and "losers" in the rate battle may throw an already fragile system into total chaos. However, this is a risk that must be taken, as we will surely witness a serious erosion in services if the current sytem of inequities is allowed to be perpetuated.

2
2-3-87

SUBJECT: Proposed Reimbursement System

BY: Montana Residential Child Care Association

TO: Social & Rehabilitative Services (SRS), Community Services Division

BACKGROUND: Social and Rehabilitative Services and the Montana Residential Child Care Association recognized a need to evaluate and develop a new reimbursement formula for child care facilities. The rates currently being paid by SRS do not, in most cases, cover the cost of the services provided.

SRS contracted with the Montana Residential Child Care Association (MRCCA) to develop a proposed reimbursement system. The MRCCA in turn subcontracted with Healthcare Financial Services of Great Falls, Montana to develop a proposed reimbursement system.

TYPE OF SYSTEM: The following possible systems were evaluated at meetings of the State Governmental Committee of MRCCA:

1) **Cost Reimbursement:** This system would on a retroactive basis pay for the reasonable cost of providing services. This type of system requires cost reporting, rules and regulations concerning how costs would be determined, audit of costs, etc. This would be a very burdensome system in terms of recordkeeping, filing of reports, and administration on the part of SRS. This type of system was used by Medicare and Medicaid in the health care field and was found to be highly inflationary and costly. These programs have or are in the process of converting to a prospective payment system. For the reasons noted, this type of system was not considered.

2) **Proposed Budget System:** A review of other states' systems revealed this type of system being used in various forms. This type of system requires the development of a database, parameters, limits, etc. It would require budget submissions, negotiations, and a review board. Due to size and number of facilities in Montana and the dollars involved, this type of system would be too costly to develop.

3) **Patient needs/acuity systems:** This type of system would pay rates based on the assessment of individual patients and their needs. The data to develop this type of system is not readily available and would be very costly to develop.

4) **Prospective Payment System:** This type of system is generally based on historical cost data and average payment rates are developed which are designed to cover the cost of providing services. Once rates are established they are set on a prospective basis with adjustments for inflation and certain other factors which may change at the facility. By using averages, this system treats facilities more fairly by rewarding low cost efficient facilities and reducing payments to high cost facilities. Provided the rates set are appropriate to cover the cost of services provided, this is the better system. It is this system that is being used in this proposal.

DATA: There are approximately 31 facilities in Montana receiving funding from SRS for child care services. SRS has classified these facilities into three groupings as follows:

Group Home	104	17
Shelter Care	106	7
Treatment Facility	108	7
		<u>31</u>

Currently, facilities are submitting to SRS either actual cost data or budget data. The data submitted to SRS was reviewed and compiled into comparative data. It was determined that additional data would be desirable in developing a proposed system. All agencies were surveyed to obtain historical data for the year ending 6/30/86. Although we did not receive a 100% response to the survey, the data provided was helpful.

SURVEY COMMENTS: The major concern expressed in the comments received related to the inadequacy of payments to cover the cost of services rendered. Due to past and current budget restrictions, facilities indicated problems with paying adequate salaries, fringe benefits, adequate staffing, etc. Other comments received related to concerns over rising liability insurance costs, no funds for educational training, other sources of funds being cut back, etc.

PROPOSED REIMBURSEMENT SYSTEM:

1) Facility Costs: The cost per facility ranged from \$0.00 to \$9.34 per day. Since this cost is basically a fixed cost which depends on the physical plant, using an average cost here is not appropriate. Therefore, we are proposing that each facility be allowed its own 1986 cost in development of the rate. For future rates this portion of the rate will be adjusted if a change occurs which results in a 30% or greater change from the basic rate established for the facility.

2) Basic Rate: Based upon an analysis of the facility costs, average costs per day for the following categories was arrived at:

Basic Staffing Costs	\$20.50
Operating Costs	\$12.50
Total Basic Costs	<u>\$33.00</u>

Every facility would receive this basic average cost.

3) Adjustment for short stay facilities: Based on data received, those facilities with short stays average \$9.00 more per day in basic staffing costs than those with longer stays. Therefore, for those facilities with an average length of stay of 25 days or less would receive an adjustment of \$9.00 per day to their basic rate.

4) Adjustment for Professional Hours: Those facilities which provide a substantial amount of professional counseling by professional staffing of counselors, psychologists, nurses, etc., which require a BS/BA Degree, Master Degree, or above shall receive an adjustment for costs incurred here based on the average number of hours per day of professional time. The study revealed that the cost of this portion increases substantially as the number of hours of service increases. As hours increase, the costs rise on an upward curve at an increasing rate. To adjust for this portion of the rate, it was necessary to develop a compounding factor to apply to the rate. The formula developed starts with a base of \$2.40 for the first hour and compounds at 1.5 for each additional hour. The schedule follows:

<u>HOURS</u>	<u>RATE</u>
0.1 - 1.0	\$2.40
1.1 - 2.0	3.60
2.1 - 3.0	5.40
3.1 - 4.0	8.10
4.1 - 5.0	12.15
5.1 - 6.0	18.23
6.1 - 7.0	27.34
7.1 - 8.0	41.01
8.1 - 9.0	61.51
9.1 - 10.0	92.26

5) Adjustment for Inflation: Since the cost data used was for the FYE 6/30/86, it is proposed that the rates be adjusted for inflation. Instead of estimating inflation, it is proposed that the Consumer Price Index (CPI) for the previous calendar year be used for updating the rates on July 1 of each year. This would work as follows:

7/1/85 - 6/30/86	Base
7/1/86 - 6/30/87	Calendar 1985 CPI 3.6%
7/1/87 - 6/30/88	Calendar 1986 CPI (thru November) 0.9%
7/1/87 - 6/30/89	Calendar 1987 CPI

CURRENT CLASSIFICATION SYSTEM: In developing the rate structure, we have ignored the current classifications. The factors used to set rates apply to all classifications.

COST DATA USED FOR DEVELOPMENT OF RATES: The survey data requested included three cost items to be reviewed:

- 1) Actual Costs
- 2) In-kind Services
- 3) Proposed Increases

The factors used to develop the cost for FYE 6/30/86 included both the actual cost and the in-kind services for those facilities that submitted the questionnaires. Where SRS data was used, it only included actual cost or budgeted data. Although not 100% accurate, the amounts used should fairly represent the total cost of all facilities.

PROPOSED INCREASES - OTHER SOURCES OF INCOME: In the Governmental Affairs Committee meeting it was noted that due to budget limitations, certain costs were not incurred in FY 86. The data gathered here indicated an average increase of 14% to properly operate the facilities. In meeting with SRS, there was an indication that some sources of income be used to reduce costs used to develop the rate. The proposed rates do not include the proposed increased cost factor nor a reduction for other sources of income.

In developing a formula based on average costs, it would be inappropriate to assume that every facility can obtain an average amount of income from other sources. It is therefore proposed that other sources of funds can be used to cover the increases needed to pay adequate salaries, fringe benefits, education, etc.

IMPLEMENTATION OF PROPOSED SYSTEM: The rate structure proposed in this document should be implemented on 7/1/87, if at all possible, to remove the inequities in the current system. Current reimbursement rates are only covering 66% of the cost of services being rendered. Some additional grant monies may be covering some of the other 34% which could be used to pay the proposed rates.

MODIFICATIONS TO RATES: Once rates are established for a facility, they can only be changed based upon prior approval of SRS for the following factors:

- 1) An increase or decrease of 30% in facility costs.
- 2) Any substantial change in professional staffing.

REFINING FINAL RATES BEFORE IMPLEMENTATION: Nine facilities did not respond to the questionnaire. Although we had cost data for these facilities, we were unable to compute the professional staffing adjustment for these facilities. We therefore allowed \$124904.00 to cover any adjustments that may be necessary for these facilities.

SUMMARY: Based upon the data available and the limited funding to develop a proposed system, this proposal is as good as could be developed at this time. If implemented, it should be reviewed and examined as circumstances dictate.

MONTANA CHILD CARE FACILITIES - December 1966

FACILITY	SURVEY SUBMITTED	CURRENT RATE (67)	CURRENT COST (66)	AVG LOS	PROF PER DAY	FACILITY BASIC COST	ADJUST: PROF. (\$ LOS STAFFING	TOTAL	SMS DAYS	CURRENT RATE	CURRENT COST	PROPOSED COST	PROPOSED RATES-FY 68 (1.04.53.24)	TOTAL PROPOSED COSTS FY	DIFF CURR RATE	DIFF PROF COST
.....	YES	104 28.88	37.27	147	0.00	2.18	0.00	35.18	1915	55305	71372	67370	36.77	70423	7.89	-0.50
.....	YES	104 31.50	32.21	102	2.06	2.76	0.00	41.16	1940	61110	62487	79850	41.03	83470	11.53	10.82
.....	YES	104 36.99	36.99	212	0.44	3.99	0.00	39.39	1698	44427	66205	64484	41.18	69716	12.66	2.19
.....	YES	104 36.57	37.53	187	2.53	3.37	0.00	41.77	1699	61453	63763	70967	43.66	74184	7.49	6.13
.....	YES	104 32.30	42.10	120	0.15	4.06	0.00	39.46	2309	74541	97209	91113	41.25	95243	6.95	-0.85
.....	YES	104 33.19	36.45	65	0.58	4.32	0.00	39.72	1562	51843	56335	62042	41.52	64855	6.33	5.07
.....	YES	104 31.87	38.93	32	0.06	7.42	0.00	42.82	1560	49717	60731	66799	44.76	69827	12.89	5.83
.....	YES	104 55.54	57.87	219	5.48	4.73	0.00	55.96	2847	158122	164756	159318	58.50	166539	2.96	0.63
.....	YES	104 35.62	47.69	123	3.80	7.80	0.00	48.99	1971	70207	93997	96382	51.12	100750	15.50	3.43
.....	YES	104 32.20	65.40	116	4.68	6.02	0.00	51.17	2859	92060	186979	146295	53.49	152786	21.29	-11.91
.....	NO	104 38.50	38.50	220		3.40	0.00	36.40	1540	59270	59290	56056	38.05	58597	-0.45	-0.45
.....	NO	104 21.50	39.30	365		6.79	0.00	39.79	2555	54933	100412	101663	41.59	106271	20.09	2.29
.....	NO	104 27.37	16.66	284		3.47	0.00	36.47	852	23319	14194	31072	38.12	32481	10.75	21.46
.....	NO	104 36.01	41.32	365		1.17	0.00	34.17	2920	105149	120654	99776	35.72	104299	-0.29	-5.60
.....	NO	104 24.96	24.97	274		4.04	0.00	37.04	1642	40984	41001	60820	38.72	63576	13.76	13.75
.....	NO	104 12.65	12.86	292		1.54	0.00	34.54	2190	27704	28207	75643	36.11	79071	23.46	23.23
.....	NO	104 38.94	40.99	270		2.58	0.00	35.58	1620	63083	66404	0	0.00	0		
.....	INSUFF	104 15.53	25.25	320		2.58	0.00	35.58	1210	18791	30553	43052	37.19	45003	21.66	11.94
SUBTOTAL		32.00	39.70	39.41		34889	1116078	1385148	1375104				41.20	1437427	9.20	1.56
.....	YES	106 32.15	58.66	21	2.50	5.74	0.00	53.14	1817	58417	106585	96555	55.55	100732	23.40	-3.11
.....	YES	106 18.94	29.51	11	0.00	3.06	0.00	45.06	2312	43783	68227	104179	47.10	108901	28.16	17.59
.....	YES	106 28.23		13	4.54	3920	0.00	0	3920	110662	0	0	0.00	0		
.....	YES	106 19.08	48.71	16	0.41	2.60	0.00	47.00	1861	35588	90649	87467	49.13	91431	30.05	0.42
.....	YES	106 26.80	41.87	16	0.34	7.26	0.00	51.66	1584	42451	66322	81829	54.00	85538	27.20	12.13
.....	YES	106 22.05	32.16	12	0.73	3.36	0.00	47.76	2862	63107	92042	136689	49.92	142884	27.87	17.76
.....	YES	106 32.64	64.13	16	2.65	8.32	0.00	55.72	2000	65280	128260	111440	58.25	116491	25.61	-5.68
.....	YES	106 32.64	66.99	13	3.89	1.48	0.00	51.58	4520	0	302795	233142	53.92	243709	53.92	-13.07
SUBTOTAL		25.67	50.42	50.21		16956	419214	851880	851301				52.48	887886	26.81	2.96
.....	YES	108 32.76	42.83	63	0.75	6.56	0.00	41.96	931	30500	39875	39065	43.66	40835	11.10	1.03
.....	YES	108 27.09	43.47	71	0.76	6.66	0.00	42.06	2288	61982	99459	96233	43.97	102595	16.88	0.50
.....	YES	108 78.27	131.66	211	9.84	9.34	0.00	134.60	14094	110317	185316	189782	140.70	1983034	62.43	9.04
.....	YES	108 29.59	22.01	207	0.43	0.00	0.00	35.40	829	24530	18246	29347	37.00	30677	7.41	14.25
.....	YES	108 70.10	134.25	217	9.13	7.16	0.00	132.42	7650	536265	1027013	1013013	138.42	1058827	68.32	4.17
.....	NO	108 32.57	38.50	261		0.00	0.00	33.00	3650	118881	140525	120450	34.50	129909	1.93	-4.00
.....	NO	108 40.43	42.41	343		0.80	0.00	33.80	14600	590278	619186	493480	35.33	515846	-5.10	-7.08
SUBTOTAL		54.00	86.28	83.75		44042	2465372	379920	3686640				87.55	3855824	33.55	1.27
TOTAL		41.72	62.99	61.69		95887	4000864	6039949	5915045				64.48	6183139	22.76	1.49

PROPOSED INTERIM RATE ADJUSTMENT
FOR MONTANA CHILD CARE FACILITIES

	ANNUAL CURRENT RATE	ANNUAL PROPOSED INTERIM RATE	ANNUAL PROPOSED COST
* GROUP HOMES (17)	1,116,078	1,253,237	1,375,104
** SHELTER CARE FACILITIES (7)	419,214	782,850	851,301
*** TREATMENT FACILITIES (7)	2,465,572	3,124,775	3,688,640
	4,000,864	5,160,937	5,915,045

└ 1,160,073 ─┘

└ 1,914,181 ─┘

* All group home Facilities would receive a basic rate of \$ 33.00 / DAY

** All shelter care Facilities would receive a basic rate of \$ 33.00 + 1/2 of the proposed \$ 9.00 adjustment for short-term stays. (37.50 / DAY)

*** All treatment Facilities would receive a rate that would be half way between the current rate & proposed cost.

ADMINISTRATIVE AND SUPPORT SERVICES

3A
2.3-87

The program provides the department with overall management and support services including legal services, personnel, accounting, data processing, etc. In addition the program pays general operating costs of the state office for such items as postage, supplies, telephones and the legislative audit. Beginning this biennium, the program's budget also includes the amount of federal funds estimated to be recovered by the department for the general fund through statewide cost allocation.

Total expenditures for this program represented 1.3 percent of the total department expenditures for FY'86. The FY'88 request represents 1.2 percent of the department budget for next year. The department has made a concerted effort to control administrative costs through reductions in personnel and more efficient operation. At the same time, the department has made significant improvements in its accounting system and dedicated additional resources to expediting payments.

Personal services accounts for 65 percent of the total program costs and there have been significant reductions in this area. Indicated below is a table showing staffing in FY'86 and the staffing requested in the executive budget:

	FY'86	FY'88-89
Director's Office (director's staff, Legal Affairs, Personnel, Fair hearings)	24.18 FTE	21.2 FTE
Fiscal Bureau (accounting and purchasing)	24	22
Information & Systems Bureau (data processing and research)	23.5	21.5
General Services (mailroom, etc)	<u>13</u>	<u>8.5</u>
Total	84.68 FTE	73.2 FTE

Reductions:

- 2 FTE (grade 16) eliminated through reduction in force
- 2.5 FTE (2 grade 9 and .5 grade 18) eliminated vacant positions
- 6.5 FTE of various grades transferred to Department of Family Services
- .48 FTE transferred to another division
- Total reduction of 11.48 FTE's or 13.5 percent.

Operating costs: The majority of operating costs (60.5 percent) are actually transfers to other agencies for rent, legislative audits, payroll fees statewide cost recovery, etc. The table below shows the distribution of operating costs:

Costs	FY'88 Budget	Change from FY'86 Expenditure level
transfers to other agencies	\$630,178	+52 %
postage for state office	171,429	+4 %
supplies for state office	49,309	-25 %
telephones for state office	82,623	-12 %
other operating costs	108,377	-6 %

The increase in postage costs is directly related to the projected increase in recipients of public assistance and medicaid payments.

EXHIBIT 4
DATE 2.3.87
HB _____

FOSTER CARE ISSUES

Budget Amount - The requested amounts for FY 1988/1989 is basically the 1987 current level.

FY 1987 Funding (with Supplemental)		\$7,707,396
FY 1988/1989	Current Level	7,527,954
	Modified Request	<u>250,000</u>
		\$7,777,954

Flexibility - Need flexibility to use part of Foster Care Budget for new programs or enhancements to current programs. These might include:

- Community Based Programs
- Specialized Foster Homes
- Funding for Evaluations of clients and family
- Counseling Services
- Other Support Services

With the current budget amount this could mean current programs would be capped or cut so funds could be shifted to new services.

Rate System - Convert current reimbursement system to a system that would:

- a) eliminate the historical differences in the current rates
- b) base the rates on some sort of cost basis
- c) relate costs for treatment services to either statewide or district priorities.

REPLACEMENT OF THE CURRENT AUTOMATED ELIGILITY SYSTEM WITH FAMIS

The current system is a batch system that requires all data to be entered by data entry clerks. Every time there is a change in a recipient's eligibility status the county worker must complete a form and mail it to the state office. Although the system allows for online review of data, the eligibility technicians do not have terminals available in their offices and must request all information in hard copy form. The proposed system would allow county workers to make changes and review data via a terminal in their office.

Six data entry clerks are needed at all times to enter data from an average of 220,000 eligibility documents each year. Because of the nature of the data and problems caused if there are keypunch errors, all data must be verified, this means all data must be keyed twice. The equivalency of one half million forms are keyed each year. The proposed system would eliminate the need for data entry.

The system is at least 15 years old, while the average life of an automated system is usually 5 to 10 years. Any major modification of the system such as adding the general assistance program would be extremely expensive. As the age of a system increases so does the possibility of major system problems which could delay benefits. Last year the LIEAP payment system was not operating for almost two weeks because of major processing problems. Most of the department's data processing resources are dedicated to the maintenance of the eligibility system to ensure problems can be detected and corrected immediately. Once the proposed system is installed, existing resources can be used to add LIEAP and general assistance.

The mail room handles an average of 440,000 eligibility documents each year between incoming and outgoing mail. Estimated postage for the state and county offices is over \$26,000 per year with additional costs of at least \$10,000 for forms and envelopes. The proposed system would eliminate these costs.

If an eligibility worker makes even the smallest error, transposes a number for instance, the system rejects the change and prints a new form with the old data along with an error statement. These documents must be sent back to the county and the whole process must start again. Last year over 43,000 forms were rejected for some reason. Under the new system, the worker would input the data and know immediately if there were an error.

The federal government frequently requires changes in eligibility criteria which require modifications to the system. Because of the age of the system and the number of previous modifications, it is sometimes difficult to make the modifications in a manner that is easy for the eligibility technicians to use. The most frustrating part of the system from the workers view point is that changes are sometimes rejected for no apparent reason because of quirks in the system. The proposed system would reflect current policy and be fairly easy to modify.

Because of the problems mentioned above, a county worker cannot establish eligibility for a new recipient in time to get the first AFDC check issued by the system.. The department must operate a checking account so that the first check can be issued by the county. In addition we have not been able to develop a automated system for GA because all available system staff is devoted to maintenace. Hence all general assistance checks are issued by the county. The legislative auditor has recommended that a system be developed to negate the need for this checking system. An accounting technician spends most her time reconciling the checking system and every check must be keypunched so that the data can be entered into SBAS. The proposed system should greatly reduce, if not eliminate, the need for the first check system.

The county worker is also not able to get eligibility established for new medicaid recipients in time to get the first medicaid card issued from the system and must prepare one in the county. Most of the problems with medicaid payments result because a recipient used a card issued from the county before the eligibility was established in the system. Naturally, providers become irrate when they are told a patient is not eligible after they have seen the county issued card. Under thhe proposed system, the worker could establish eligibility for mediciaid at the same time the card is issued.

Eligibility technicians are required to verify information provided by recipients and applicants. Much of this information such as employment history and social security information is available on line from other computer systems. Because there are no terminals in county offices, the information must requested by submitting a form to the state office, the form must be keypunched and after the data is obtained it must be mailed to the county. All of this delays benefits. The terminals used for the proposed system could also be used to gather data from other computer systems.

The proposed system resembles the systems used by several departments in state government to communicate with local offices . The systems used by Deaprtment of Laabor for the unemployment insurance program and the Criminal Justice Information System are the most similar. The difference in size and complexity of public assistance system result in higher costs because of the numerous federal system requirements.

The need for the new system was identified as the major priority of the department after an extensive automation study was conducted. Over 200 staff members were given an opportunity to express the problems faced on their jobs. It quickly became apperant that the difficulty in accessing and changing data effecting recipients benffits was the biggest problem.

EXHIBIT 6
 DATE 2.3.87
 HR _____

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
 AUDIT & PROGRAM COMPLIANCE DIVISION

TOTAL DOLLARS COLLECTED

	<u>FY 85</u>	<u>FY 86</u>
MEDICAID	\$1,129,915	\$1,307,868
AFDC	69,373	100,256
FOOD STAMPS	117,764	154,953
TOTAL	<u>\$1,317,052</u>	<u>\$1,293,077</u>

Medicaid collections were higher in FY86 than FY85 because FY85 had abnormally high casualty collections (\$455,354) (FY84 \$343,164; FY86 \$367,207).

RECOVERIES

One added position in the Recoveries Section resulted in our being able to institute the Administrative Hearing process which increased the amount collected plus permitting better tracking of fraud and overpayment cases with resultant increased collections. Collections increased by \$68,072 of which approximately \$20,288 was General Fund.

TPL

The one additional FTE generated approximately \$84,903 in 8 months of FY86, of which \$28,544 is General Fund.

SUMMARY OF ADDED POSITIONS

			<u>GF</u>	<u>TOTAL</u>
12 mo	Recoveries	(1)	\$ 20,288	\$ 68,072
8 mo	TPL	(1)	28,544	84,903
10 mo	QA	(2)	74,158	75,866
			<u>122,990</u>	<u>228,841</u>

MEDICAID COST AVOIDANCE

Insurance	\$1,314,899	\$1,201,194
Medicare	3,614,899	8,616,547
Total	<u>\$4,929,798</u>	<u>\$9,817,741</u>
General Fund	35.59%	33.62%
	\$1,754,515	\$3,300,725*

QUALITY ASSURANCE

Two additional Quality Assurance positions funded by the 1985 Legislature.

Positions filled August 19, 1985 and used for QA until June 30, 1986 when they were deleted - 5% reduction plus pay increase.

During the 10 months of QA activity, these two positions' actions were responsible for the following:

Desk Review of all GA cases in Assumed Counties

Identified cases requiring closure or reduction of benefits GF \$64,000

Cascade County In-Depth Review of 30 GA Cases:

4 quit program
 1 requested closure
 Several overpayments Estimated amount GF \$8,000

Missoula County Review of 330 Case Records
 71 GA; 136 AFDC; 123 Food Stamp.
 Some Home Visits.

Results:

AFDC	3 errors	\$ 340	
FS	10 errors	870	
GA	9 errors	<u>1,188</u>	
			\$2,398

These represent one month's benefits, therefore, the savings were significantly greater because the individuals would be on assistance longer than one month.

There were 23 cases closed because recipients failed to respond to the questionnaire sent to them as a part of this review.

Silver Bow County Review of 98 cases

A partial review resulted in some case closures and benefit reduction representing a savings of: (No Home Visits). Case closures as a result of this review, other than as stated is undetermined. \$1,468

TOTAL	<u>\$75,866</u>
	<u>÷ 2</u>
Per Reviewer	\$37,933

AUDITS

More audits were performed because:

We had a relatively stable auditor staff - more experienced.

More small audits:

- Medicaid Case Management
- Community Services Block grant
- Blind Vendor Stands

Less large audits:

Aging Providers (17 to 7)

SAVINGS

FY85	702,316
FY86	443,746

Overall, the quality of the records being audited have significantly improved resulting in a small decrease in auditor time.

One portable computer used in the field has helped speed up audit process.

RB/cc
ADM/SAV.010

VISITORS' REGISTER

HUMAN SERVICES SUB COMMITTEE

BILL NO. _____

DATE February 3, 1987

SPONSOR _____

DEPT _____

NAME (please print)	Representing	SUPPORT	OPPOSE
STEVE WALDRON	MIRCCA	X	
Leis STEINBECK	OBPP		
GEOFF BIRNBAUM	MIRCCA	X	
Joel Shaw	MIRCCA	X	
Sandy Chaney	Women's Lobbyist fund	X	
Kathi Campbell	Child Care Issues	X	
Miss Volinkaty	DA		
Karen Northey	Cutterton Ave	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.