



TO: Department of Child Services

FROM: Public Consulting Group

RE: Enhanced Foster Care Payment Rates

DATE: October 18, 2011

Background:

To standardize enhanced level of care rates for children with higher functioning needs, the Indiana Department of Child Services (DCS) implemented a structured methodology to set rates by level of care for foster care services. The rates correspond to established levels through the Child and Adolescent Needs and Strengths (CANS) assessment. Level 1 was established by a cost study conducted by Ball State University. Average dollar increases were then applied to CANS level 2, 3 and 4 using CANS 1 as a base.

Public Consulting Group (PCG) reviewed the rate calculation methodology from DCS for reasonableness under Title IV-E and compared to the larger regional market. The summary of our findings will assist DCS as it moves forward with setting standard maintenance rates for Child Placing Agencies (CPAs). We have provided a review of the rate calculation methodology, reasonableness under federal guidelines and market rates for enhanced foster care in the Midwest as well as in states with a similar cost of living to Indiana.

Conclusion and Recommendations:

The following sections detail our analysis of the rate calculation methodology. Our analysis has confirmed that Indiana DCS has appropriately set rates for foster care providers. Indiana's proposed rates are in line with or above average compared to market and geographically relevant rates for peer states.

Rate Calculation Methodology:

Indiana DCS first began collecting cost information from their Child Placing Agency providers for the Calendar Year 2010. The standardized Level of Care includes:

- Foster Care (CANS Category 1)
- Foster Care with Services (CANS Category 2)
- Therapeutic (CANS Category 3)
- Therapeutic Plus (CANS Category 4 or higher)

Indiana's rate structure utilizes the CANS level methodology. Proposed rates were set so that a rate corresponded with each level of care. Indiana DCS used a standard method of rate calculation throughout all levels of care. Payments to foster parents were divided by utilization amounts to yield an average daily per diem. Null data was removed to prevent skewed results. Average daily per diem and standard deviation were calculated for each of the four categories of supervision. The standard deviation captures the range in rates and how rates are clustered or spread. The standard deviation was used to derive the particular enhanced supervision rates and thus factors in the distribution of the rates.

All of the options examined used CANS Category 1 as a basis for each option.¹ CANS Level 1 was calculated based on foster parent reported costs. Since foster parents serving children that scored higher on the CANS assessment did not specifically identify additional costs associated with Levels 2 through 5, DCS used reasonable statistical analysis to determine the rates.

The option chosen, Dollar Average Difference plus One Standard Deviation using Foster Care (CANS Category 1), was deemed most reasonable by DCS. The rates by age range and level of care are displayed below:

Dollar Average Difference Plus 1 Standard Deviation using Foster Care (CANS Category 1) as Base			
	Infant to 4 yrs	5 to 13 yrs	14 to 18 yrs
Foster Care (CANS Category 1)	\$18.28	\$19.85	\$22.90
Foster Care with Services (CANS Category 2)	\$26.05	\$27.62	\$30.67
Therapeutic (CANS Category 3)	\$38.19	\$39.76	\$42.81
Therapeutic Plus (CANS Category 4 or higher)	\$61.94	\$63.51	\$66.56

Enhanced Supervision and Title IV-E:

States seeking to align levels of care with foster care payments have structured their methodologies to include supplemental rates for children with higher needs.² The enhanced rate compensates foster parents for providing additional supervision while caring for children with specific emotional, physical, behavioral, and medical needs.³

According to the federal Child Welfare Policy Manual Question 8.3B2.2, “certain categories of children, including those with physical or emotional disabilities, may require more day-to-day supervision and attention than those without such conditions...A supplement to the basic maintenance payment for a particular child is justified when the child has greater than usual needs for the items included in the definition, as determined by the State agency”.⁴

States use clinical assessment tools to identify children with higher physical or emotional needs. Each determined level of care has an assigned per diem maintenance rate or a supplemental rate that is paid in addition to the departmental foster care per diem. Federal Title IV-E policy does not distinctly prescribe how enhanced supervision rates should be set. It simply states that a supplement in addition to the maintenance is reasonable under Title IV-E care and maintenance. The state must determine how to define “greater than usual needs”.

Market Rates:

Supplemental payments based on the level of care augment current foster care rates. The basic foster care payments are generally based on the United States Department of Agriculture’s (USDA) Cost of Raising a Child, the Cost of Living Indicator, the Consumer Price Index or other similar indices. While other states have used USDA; Indiana surveyed foster parents to identify the cost of care as defined by federal Title IV-E regulations and concluded that the results were within the range of states that used the USDA. The Ball State Study established the statewide cost for the CANS Level 1 rate using actual foster parent cost data.

¹ This rate was chosen based on the results from the Center for Business and Economic Research at Ball State University. (Indiana Division of Child’s Services, Enhanced Rate Memo).

² The terms enhanced, supplemental, and increased payments are used interchangeably to refer to the additional payments to a foster parent added to the basic foster care maintenance rate.

³ Wisconsin Department of Children and Families, “Understanding the Uniform Foster Care Rate: How is the Supplemental Rate Determined?”. <<http://dcf.wisconsin.gov/children/foster/progserv/Undrufcr.htm>> (1, Jan. 2010).

⁴ Child Welfare Policy Manual. Question 8.3B.2.2. Accessed October 27, 2010
http://www.acf.hhs.gov/cwpm/programs/cb/laws_policies/laws/cwpm/policy_dsp.jsp?citID=80

For Levels 1 through 4, there is no specific federal guidance on how to set the supplement to the basic maintenance payment. Market rate assessment is a tool that can be used to inform if enhanced level payments are reasonable compared to what other states within a region and of similar cost of living are paying for the service.

There is a level of payment associated with serving higher need children at which a foster parent will elect to provide services or opt out of services. The structure of enhanced supervision rates must adhere to a level of payments where foster parents will enter the system to provide services and where agencies are able to successfully retain the households.

PCG conducted an analysis of foster care rates for Midwestern states and peer cost of living states and the fiscal year 2012 CPA rates for Indiana as displayed above.

PCG reviewed enhanced foster care rates for Midwest states. All states in the review associate the enhanced foster care payment with the level of care determined from the clinical assessment. The tables below demonstrate the average rates by Levels of Care 1, 2 and 3 for Indiana and for states in the federal Administration for Children and Families (ACF) Region 5. Most states did not offer a level 4 plus option; hence this information does not appear in the table below. The rates in the table below reflect the average for each level across age groupings.

Table 1

Supplemental Foster Care Payments – ACF Region 5			
State	Level 1	Level 2	Level 3
Indiana⁵	\$20.34	\$28.12	\$40.25
Iowa	\$21.86	\$26.67	\$31.49
Michigan	\$22.25	\$27.25	\$32.25
Minnesota	\$31.18	\$47.79	\$64.29
Ohio	\$12.33	\$15.62	\$15.62
Wisconsin	\$15.64	\$19.19	\$22.74
Midwest Average	\$20.60	\$27.44	\$34.44

The ACF Region 5 comparison found that average enhanced per diems are \$20.60, \$27.44, and \$34.44 for the three tiered levels. These rates represent the average rate by level for each state including the base per diem rate. Based on our assessments, Indiana’s rates for enhanced levels of care are level with the average for Level 1 but above average for Level 2 and Level 3.

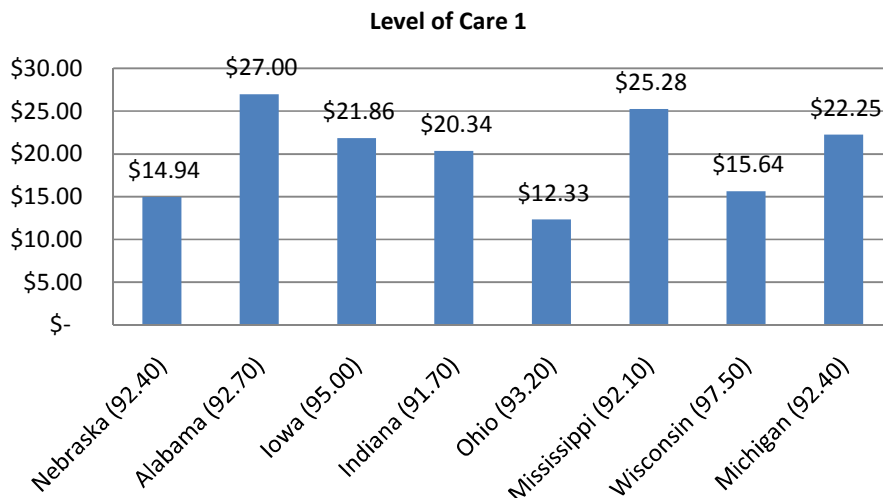
⁵ These average rates for Indiana are a straight average of the revised rates based on age-range by level.

Finally, PCG compared Indiana’s rates against seven other states with a similar cost of living. These states include several in the ACF Region 5. The chart below demonstrates the average enhanced foster care rate for each state. The cost of living is noted in parentheses next to each state’s name.⁶

State	Level 1	Level 2	Level 3
Nebraska (92.40)	\$ 14.94	\$22.17	\$ 30.29
Alabama (92.70)	\$27.00	\$ 41.80	\$ 41.80
Iowa (95.00)	\$21.86	\$26.67	\$31.49
Indiana (91.70)	\$20.34	\$28.12	\$40.25
Ohio (93.20)	\$12.33	\$15.62	\$15.62
Mississippi (92.10)	\$25.28	\$29.23	\$31.23
Wisconsin (97.50)	\$ 15.64	\$19.19	\$22.74
Michigan (92.40)	\$22.25	\$27.25	\$32.25
Average	\$19.96	\$26.26	\$30.71

In juxtaposing Indiana with states that have a similar index for cost of living, it is clear that Indiana’s revised rates are above average for Levels 1, 2 and 3. The average level of care payments for all eight states, including Indiana, is \$19.96, \$26.26, and \$30.71. The figures below display the enhanced rates by level of care for states with similar cost of living.

Figure 1



⁶ Cost of Living indices reflect the second quarter of 2011. “Cost of Living Data Series 2nd Quarter 2011”. <http://www.missourieconomy.org/indicators/cost_of_living/index.stm>

Figure 2

Level of Care 2

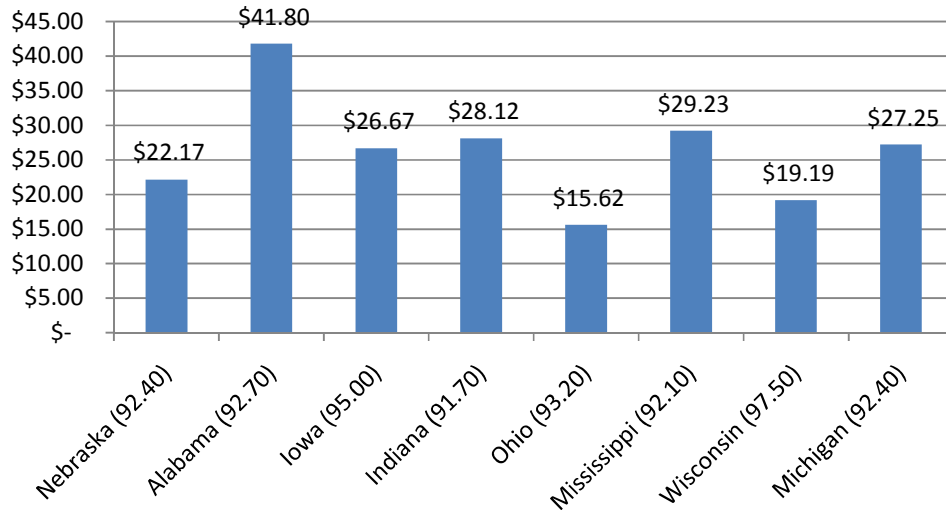


Figure 3

Level of Care 3

