

**Interim Budget Committee on Human Services
HB 1012 – Section 15
July 28, 2005**

Chairman Dever and members of the Interim Budget Committee on Human Services, I am Paul Ronningen, Director, Children and Family Services of the Department of Human Services. I am here today to provide comment on Section 15 of HB 1012, which authorizes the study of the services by and payments for residential foster care providers in the state.

First of all, this study comes at a very opportune time. The Department of Human Services has just been notified by The Centers for Medicare and Medicaid Services (CMS) in Denver that the Medicaid dollars used for the rehabilitation portion of our reimbursement to residential providers and PATH need to be adjusted. In essence, the changes CMS is requiring of us is to move to a 15-minute fee for service billable unit for the rehab services versus our current method of reimbursing on a daily rate.

In order to accommodate this directive, the Department has met with each of the three provider groups (Residential Treatment Centers, Residential Child Care Providers and PATH) that will be impacted. Our initial discussions have produced the following strategies:

- a. The Residential Treatment Centers will seek accreditation status allowing them to become Accredited Residential Treatment Centers (ARTCs). This will enable them to continue to bill using a daily rate. Four of the RTC's are currently accredited. In addition, one has an umbrella agency that is accredited through The**

Council, which may be recognized for acceptance into the ARTC status. Finally, the last RTC will need to begin the process of applying for accreditation.

- b. The RCCF providers will begin billing Medicaid for the rehabilitation services that they provide on a 15-minute unit basis. Because of this change required by the federal government, the providers will be paid the allowed Medicaid rate for the specified service instead of the historic daily rate. This then negates the Legislative intent to increase the maximum \$15 per day reimbursement per child since we can no longer pay “per day.” However, providers will still be compensated for the services they provide just by a different method.
- c. PATH provides therapeutic foster care services in the state. The Department is in the process of analyzing the impact on this service. The two issues that impact therapeutic foster care services are: 1) No Medicaid dollars will be allowed to pay for foster parent services as we currently do and 2) the social work time will again need to be billed on a 15-minute basis.

In addition to these changes that the state is currently negotiating with providers, I would also request that the committee consider the possibility of basing payment on program outcomes. One outcome that could be considered is the number of children that are served and are stabilized in a less restrictive environment without coming back into care. This ties into a national standard that the state is required to meet: Of all children who enter foster care during the year, 8.6% or fewer of those children will re-enter foster care within 12 months of a prior foster care episode. The national goal is 8.6% while North Dakota is currently at 12.1%. Other national standards might also be considered and tied to reimbursement.

In addition, the overall process of aligning financing strategies and the provision of services is a powerful tool for connecting the provision of residential services and community based care. One such example can be

found in Kansas. Though their initial steps in this process were horrendous and gained considerable national media attention, it appears that their efforts are now paying dividends. They are currently contracting for foster care services in each of their regions. The service provider is paid a capitated rate and is required to do the following:

- a. Place the child in the least restrictive environment and close to family.
- b. Develop a wraparound plan with the family, foster family and other persons important in the life of the child within two weeks.
- c. Place the child in a home that enables the child to continue in their current educational placement. This enables the child to maintain their friendships, continue in extra curricular events and be close enough for reunification efforts with the family.

The Kansas provider and state official I have spoken with indicate that with this new contracting process the number of children in residential services has been reduced to approximately 5%. In North Dakota, 25% of our children are in residential services while in Wyoming over 60% of their foster care youth reside in residential care. Though the residential facilities continue to serve a critical function in Kansas their focus was shifted to providing crisis stabilization and reconnecting children with the community. Thus, the average lengths of stay are compressed.

Thus, you may want to invite representatives from Kansas to discuss their successes and challenges. They may be able to provide some strategies that could be adapted to North Dakota.

This concludes my presentation. I would be happy to respond to any questions.