FY 2008-09 BUDGET HEARING
DEPARTMENT OF HUMAN SERVICES
Child Welfare, Child Care, and Office of Operations

Wednesday, December 5, 2007
3:00 p.m - 5:00 p.m.

3:00 – 3:05 GENERAL

68. Is it time to revisit the administrative structure for welfare programs that was adopted by the State in 1997 following federal welfare reform legislation? What are your thoughts on how to approach this?

Response:

Yes, the Department believes it is time to revisit the administrative structure for welfare programs. Federal changes since 1997, including the Federal Child and Family Services Review, changes to Federal programming in IV-E and Medicaid have not been addressed in a comprehensive way in our State. Therefore, an evaluation would be beneficial to coordinating service delivery systems to improve child safety, permanency and well-being.

This evaluation of the administrative structure will need to occur while preserving several of the changes that the State adopted following federal welfare reform legislation which continue to provide benefit to the State. The capped allocation of funds to county departments should continue, as well as the counties ability to transfer funds between their child welfare, child care and TANF allocations. These particular changes allow the State to operate within constitutional requirements while allowing county departments the flexibility necessary to serve their diverse clients.

69. Which of the approaches used by counties to implement welfare reform have worked? Can we back off from having 65 systems to some number less than 65?

Response:

Child Welfare's primary function is not implementing welfare reform; however, opportunities to coordinate services with Colorado Works have proven beneficial for children and families served by both systems. Various Divisions within the Department will develop common policy to address gaps in county department's ability to achieve safety, permanency and well-being for children families and their relatives.

Many counties have used creative approaches to effectively implement welfare reform. There are not particular models that can be recommended to the exclusion of other models because there are numerous factors that affect the options available to a particular county in implementing welfare reform. Some of the factors that can affect what a county is able to do are: community resources available, the size of the county's various allocations, the willingness or ability of county commissioners to direct additional county resources to the county department, and, programming that the voters in the county are willing to support.

A number of counties include options for TANF support for grandparents or other family members who have assumed responsibility for their kin. This program allows the relative to receive necessary supports and prevents children from penetrating into the child welfare system.

3:05 - 3:30 DIVISION OF CHILD CARE

Decision Item #NP1 (COLA)

70. Do Child Care Assistance Program providers get the COLA? Is it passed-through?

Response:

The COLA is added into the total amount that counties receive in the allocation to provide child care assistance. It is not a direct amount of increase to every provider in the state. Counties determine provider reimbursement rates, and base increases, on several factors (such as the need to increase capacity for a certain age of child).

Numbers Pages

71. The Department transferred $303,400 (General Fund and CCDF federal funds) from the CCAP line item to the Child Care Licensing and Administration line item pursuant to Section 24-75-108, C.R.S. This statute authorizes the head of a department of state government, on or after May 1 of any fiscal year and before the 45th day after the close, to transfer moneys from one line item of appropriation to another line item of appropriation to the same department; except that such transfers shall be made only between appropriations for like purposes. The statute further specifies that a transfer shall not be deemed a like purpose if it is a transfer from a nonpersonal services item into a personal services item, except that this is allowed for temporary personal services. In response to staff questions, the Department indicated that the transfer enabled the Department to use General Fund "pots" elsewhere that would otherwise have been allocated to the Child Care Licensing and Administration line item. It also noted that, because the Child Care Licensing Cash Fund was under earning, cash funds were not available to cover the need. The implication appears to be that the funds transferred from the CCAP line item were used to cover personal services costs in the Child Care Licensing and Administration line item. This appears to be a violation of statute. Is it? Why or why not?

Response:

The Child Care Licensing and Administration expenditures for FY 2006-07 included 4 million personal services and 2.5 million operating of which 1.8 million was for purchased service to counties & local school districts and distributions to non-government organizations. Based on the statute allowing for like purpose, the transfer allowed for revenue support for the operating expenses, thus freeing up revenue needed for personal services revenue shortages. The department believes it is managing appropriately by leveraging federal resources of the department to mitigate any adverse impact on the General Fund.

Footnote 63 (new Child Care Assistance Tracking System (CHATS) development)

72. Review how the system will work, when completed. Will it limit/ track fraud?

Response:

The Department is in the process of posting the RFP and subsequently choosing a vendor to build the new system so is unable to fully describe how the system will work. However, the new system will meet the following goals and objectives:

- Significantly **improve child care attendance tracking, payment reconciliation (including parent fees) and reporting**; eliminating or significantly reducing the manual reconciliation process used by counties to approve and make payments for child care.
- Afford **better access to child care-related information** by end users, customers, research entities, and other interested parties.
- Significantly **reduce the amount of fraud** associated with administering subsidized child care programs, through reducing the amount of manual attendance record keeping necessary while still ensuring that controls are in place over subsidy payments. Logic built into the system to significantly reduce fraud and increase recovery capabilities will assist the Department in meeting state and federal quality control objectives.
- Provide a vastly improved **accounts receivable (A/R) capability** to include: claim setup, noticing and reporting, tracking and managing claim payments (including the acceptance of on-line credit card payments in addition to other forms of payment), refunds, tax intercept, provider payment adjustments, and development of comprehensive recovery and installment schedules.
- Create a **web-based environment** that addresses better accessibility to information, offer more transparency to the customer, meet Department technology standards, and ultimately reduce support costs.

Staff Issue: Funding for the Division of Child Care and Child Care Subsidies

73. How many kids at what poverty level are being served through the Child Care Assistance Program (CCAP)? How does this vary across the state?

Response:

In SFY 2007, 36,087 children were served in 21,916 cases. Primarily children live at or below 100% of poverty (77% of cases), while 95% of all cases are at or below 130% of poverty. The federal government sets the minimum level to be served at 130% or below of poverty. Due to the high percentage of families utilizing the program at this low percent, even with higher eligibility levels set by the counties, the monies are used primarily to support these poorest of families. This trend is prevalent across the state. The only variance tends to be in resort-like counties whose cost of living is higher, so the percentage of families living above 130% of poverty is higher. However, these counties serve a small percentage of all families served in the state.

Low-Income Families Only (Does Not Include TANF Families)	
Income < 100% of Federal Poverty Level	77% of Total
100%-130%	18% of Total
130%-225%	5% of Total

74. Are Child Care Development Fund (CCDF) reserves located in counties that have more- or less-restrictive eligibility criteria for the CCAP program?

Response:

There is not a direct correlation to county TANF transfer child care reserves and eligibility criteria levels. The reserve levels are primarily affected by how much a county has left in the TANF allocation at year's end to transfer. Shown below are two charts with the TANF Tranfers in Child Care Reserves and Child Care Eligibility Levels as of Sept 30, 2007. The lowest eligibility level set by a county at this time is 150% of federal poverty level; 12 counties are between 150% - 184%; 52 counties are between 185% - 225%; and 21 of those 52 counties are at the maximum level of 225%. The point that can be drawn from these charts is that there are counties within each of the allowable eligibility levels used that have disparate amounts of child care reserves, and there is great disparity in the reserve balances between counties. (The charts do not depict the reserve balance with relevance to a county's allocation and/or expenditures.)

Sorted by TANF Transfers Child Care Reserves		
County	TANF Transfers Child Care Reserves June 30, 2007	County Eligibility
El Paso	0.00	185
Grand	0.00	190
Kiowa	0.00	225
Mesa	0.00	225
Mineral	0.00	225
Pueblo	0.00	185
Broomfield	329.00	185
Weld	3,956.00	185

Sorted by County eligibility		
County	TANF Transfers Child Care Reserves June 30, 2007	County Eligibility
Park	27,144.10	150
Saguache	42,625.19	150
Larimer	3,500,000.00	150
La Plata	126,399.49	160
Montezuma	132,600.00	160
Rio Grande	169,166.51	160
Lake	215,250.00	160
Dolores	13,813.55	165

Sorted by TANF Transfers Child Care Reserves		
County	TANF Transfers Child Care Reserves June 30, 2007	County Eligibility
Dolores	13,813.55	165
Phillips	15,084.00	185
Jackson	16,891.91	185
Hinsdale	17,482.00	225
Gilpin	24,859.00	225
Park	27,144.10	150
Douglas	29,492.22	200
San Miguel	34,478.60	225
Lincoln	34,806.41	185
Cheyenne	36,503.67	165
Rio Blanco	39,671.71	225
Saguache	42,625.19	150
Custer	44,554.56	185
Summit	44,625.29	200
Clear Creek	45,631.00	185
Conejos	46,271.78	225
Washington	47,854.26	185
Ouray	50,235.60	225
Yuma	59,542.84	200
San Juan	60,738.00	225
Gunnison	62,319.51	225
Huerfano	65,000.00	225
Sedgwick	65,913.45	225
Archuleta	70,017.05	185
Pitkin	80,237.00	200
Baca	84,468.78	200
Bent	84,637.24	225
Morgan	93,235.15	175
Las Animas	100,000.00	225
Chaffee	116,841.99	165
La Plata	126,399.49	160
Montezuma	132,600.00	160
Crowley	140,476.39	225
Rio Grande	169,166.51	160
Fremont	170,391.31	185
Kit Carson	181,347.42	185
Otero	186,103.40	225
Teller	190,675.00	170
Lake	215,250.00	160
Alamosa	216,846.19	185
Logan	242,792.60	225
Costilla	265,039.47	185
Eagle	283,063.54	225
Routt	284,058.02	185
Moffat	288,950.71	200
Prowers	333,198.51	200
Delta	452,108.29	185
Adams	608,850.26	225
Montrose	676,834.01	185
Garfield	1,487,018.07	225
Arapahoe	1,500,000.00	185
Jefferson	2,401,879.14	185
Larimer	3,500,000.00	150
Elbert	5,500,000.00	185
Boulder	8,014,563.03	185
Denver	12,342,646.28	225
Totals	**41,469,518.50**	

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Pueblo	0.00	185
Broomfield	329.00	185
Weld	3,956.00	185
Phillips	15,084.00	185
Jackson	16,891.91	185
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Totals	**41,469,518.50**	

75. Is there any correlation between a decrease in child care availability through CCAP child care subsidies and an increase in child abuse cases? If families are initially refused access to CCAP child care subsidies, do these children then fall through the cracks? Is there evidence of additional problems in counties that have limited access to CCAP by setting more restrictive eligibility thresholds (e.g., 130-150 percent of poverty rather than 225 percent)? Does tighter CCAP eligibility correlate to counties requiring more child welfare services?

Response:

There are no studies or data suggesting a correlation between child care availability and child abuse. Additionally, there has been no assessment of children falling through the cracks, as there is no tracking at the state or county level of children once they are denied services. There have been no studies indicating additional problems in counties with limited access to CCCAP or a relationship between CCCAP eligibility and increased child welfare services.

76. Discuss the advantages and disadvantages to moving to state-set eligibility levels for the Colorado Child Care Assistance Program. These could be either statewide or regional (*e.g.* mountain resort, metro, rural). Does the Department have a position on this issue?

a) If we went back to a state-administered child care subsidy program, would we save money and serve more children?

b) What would happen to counties that are negatively impacted by the State taking over determination of access levels?

Response:

The Department has begun discussion with counties to develop an in-depth look at the ramifications of moving to state-set eligibility levels. Presently 52 of the 64 counties are serving children at the highest eligibility category, as noted in a previous question. The Department would need to answer the question of fiscal impact on those counties who are not serving at the highest level and the impact on families who may be forced onto waiting lists, as well as the possibility that state control may not impact the concern of changing eligibility in times of economic change. Without further assessment, the Department does not have a position as to whether there would be more stability in the program for families if the state were to set eligibility levels.

77. Does the Department see the impending SAO performance audit as the best venue for determining if state-determined eligibility levels are a reasonable direction for the State--or would the Department suggest other or additional steps for ensuring this issue is thoroughly examined prior to the 2009 legislative session?

Response:

The SAO performance audit is one way of gathering information that might be helpful in determining if statewide standardization of eligibility should be set by the state. This audit, in conjunction with the in-depth studies with Counties, as well as the providers, will allow the department to review current services to families, budgetary impacts to counties, and the possible decrease of services for children.

78. Discuss the advantages and disadvantages to requiring reimbursement for child care providers be at the 75th percentile or some similar standard. (The 75th percentile refers to the rate at which 75 percent of providers set their rates at or below the specified reimbursement rate.) Does the Department have a position on this issue?

Response:

The Department has not completed a full assessment as to the advantages and disadvantages of requiring a state-set rate, whether it is at the 75th percentile or using another determinant to reach the rate. An assessment will determine the fiscal impact of such a decision, or the impact of serving fewer children should there be no increased appropriation to the program. Currently counties may only pay at the provider's market rate, or the county set rate, whichever is lower. This practice respects the market rate as paid by the consumer. Setting a rate at the 75th percentile may mean that many providers would be paid more for publicly funded child care than what the market can bear. This could have an unintended consequence of increasing the price of care for all families. Factors in determining rates are the type of care (center, home, exempt family home), the age of the child, and the time that care is needed. An advantage to having the counties set the rates is that they can respond to capacity issues through increased rates when needed, as well as reimburse at rates reflected in their communities. Many counties have multiple rates to reflect varied areas within the county. A state-determined rate could be set by county, or by regions of counties with like characteristics, or statewide and should allow the state to purchase child care from all types of providers to meet parent choice requests.

79. What are the Department's current estimates of the fiscal implications of requiring that provider reimbursement rates for the CCAP program be set at the 75th percentile in each Colorado region? If this requirement were instituted in the absence of additional appropriations, what would be the implications for the number of children who could be served by the CCAP program?

Response:

The Department does not currently have data available to make this assessment. With the build within the automated system data will be collected to develop a report that can be used for this purpose. The Department anticipates having this assessment completed by December 31, 2007.

80. Is there a need for a provider rate increase for the CCAP program in FY 2008-09, based on current spending projections for the program and the $40 million in county-held CCDF reserves?

Response:

Yes, there is a need for a provider rate increase. The Department projects that counties will spend beyond the current year allocation due to changes in policies of increased provider reimbursement and eligibility levels, which have been put into place over the past 12 months. All counties do not have county-held CCDF reserves (also referred to as TANF Tranfers Child Care Reserves), as documented in a previous question. The provider rate increase to the program will infuse additional dollars into the program at a time that spending is increasing.

81. Is the requested increase in the federal CCDF portion of the CCAP appropriation advisable at this time, given that the appropriation already exceeds the annual federal allocation to Colorado of CCDF funds and the uncertainties regarding the impact of the CHATs system rebuild on child care subsidy spending beginning in FY 2009-10?

Response:

The Department believes it is advisable to increase the CCAP appropriation to support county decisions to increase eligibility levels in order to serve additional families, as well as provider reimbursement increases to raise capacity. There is federal fund availability at this time to support the CHATS system rebuild as well as this COLA. The Department agrees with staff that by FY 2012-13 the state reserve balances could be depleted, but with discussions on different approaches to the program and with outcomes from the SAO findings, the Department believes by that time changes could be in place in the program to address that issue.

82. Discuss Decision Item #20. What functionality would this new staff person add? Is this an IT position or a content position? Is additional statutory authorization required for this function?

Response:

The functionality that would be brought by this new FTE would be web content development skills, information technology skills and program knowledge in child care; specifically in child care licensing, child care assistance and quality initiatives. The individual would coordinate and facilitate maintenance and enhancement of the Division's web programs, allowing for real-time information. The content will be monitored and updated on a daily/weekly basis. This individual would address any concerns from internal and external customers pertaining to the Division's web site. This FTE would also have the responsibility of tracking application/system issues, develop curriculum, and have oversight of the information and technology strategic goals for the Division. This is not an IT position, but a program content position. No other statutory authorization is required other than C.R.S. 26-6-105.

83. Through Decision Item #20, the Department proposes to add a new cash-funded FTE based on higher child care licensing fees. Licensing fee revenues have been coming in below budget, and FTE authority for Child Care Licensing and Administration is also under-utilized. Why wouldn't the Department simply increase fees (which have not been increased since July 2000) to fully use current spending and FTE authority--and, if appropriate based on statutory authority, reallocate the existing FTE and spending authority for the proposed new activity?

<u>Response:</u>

The Department agrees that licensing fee revenues should evaluated annually to assess staying current with the cost of living increases and to meet revenue needs. This will be pursued through State Board. While there have been 2 or 3 vacancies for the past few years, the Department is in the process of filling all vacancies by the end of January. As existing FTE have full workloads, the Department cannot reallocate positions to meet these new job duties. In addition to FTE, in order to meet workload needs, $56,129 was expended for outside contractors in APPR 024.

3:30-4:30 Division of Child Welfare

Overall Performance of the Child Welfare System

84. Do we need to do something about counties that have abysmal child welfare systems? If so, what? Does it make sense to add GALs in the Judicial system to handle cases that are the result of poor child welfare systems at the county level?

<u>Response:</u>

Yes, increased Departmental oversight will result in improvement of county child welfare systems. It is the Department's responsibility to define reasonable performance standards for county departments and hold counties accountable to meeting the standards established. Additionally the Department will be working with county departments to establish a progressive discipline policy that will be added to rule in Staff Manual Volume 1.

The addition of new monitoring staff, as stated in DHS decision item #8, will permit the Department to increase its' oversight of child welfare programs, thereby improving safety for children. Funding the requested FTEs will assist the Department in providing oversight that will identify counties that could benefit from:

- Identifying areas of needed improvement that could result in corrective action
- assistance in recruiting qualified staff in rural or less populated areas,
- specialized training in child protection practices or activities to promote permanency,
- assistance in forming community partnerships to stretch precious resources, and,
- educating county leadership on the responsibilities of the county in assuring child safety, permanency and well-being.

The Department is neutral regarding whether there are an adequate number of Guardians ad litem in the system to fulfill their responsibilities. Guardians ad litem should not be added to the Judicial system to hold counties accountable, that is the responsibility of the Department.

85. Specifically with respect to child welfare services, which county systems have worked?

Response:

Some examples of county strategies which have improved the child welfare system and child well being are:

- Denver County has been nationally recognized and has been designated by Annie E. Casey Foundation as a national site similar to Cleveland, Ohio. Agency staff from around the country are invited to visit and observe Denver's methods of serving families while creatively engaging key community stakeholders as part of the solution. Denver has eight local collaborative sites distributed throughout the county where families can receive services within their own neighborhoods.

- Currently 12 (Bent, Boulder, Chaffee, Denver, Elbert, El Paso, Fremont, Garfield, Grand/Jackson, Jefferson, Larimer and Mesa) county departments are participating in the family to family model. In addition approximately 40 counties are implementing similar strategies using the Promoting Safe and Stable Family Funding in order to work with birth, foster and adoptive families and to build community partnerships.

- Huerfano County works collaboratively with multiple community systems and providers through a community resource center. This model provides a one-stop shopping venue for individuals and families. Funds (child welfare, TANF, S.B. 91-94, Workforce Development, Early Intervention and Mental Health) are pooled to offer an array of services to meet the community needs. Therapists are given reduced rent for delivery of services such as early childhood connections, parenting classes, and employment searches.

- The State Department of Human Services, State Judicial and County departments have implemented the new Family Judicial Information System, known as FamJis to increase timely information sharing between Judicial and Child Welfare's automated information systems.

- Mesa County has developed a stellar kinship/foster care/adoption parent training and support program. The foster families are very involved in helping to reunite children with their birth families, and participate in training new foster and kinship parent training. They are also involved in hiring new foster care staff. The county provides an array of support services to include mentorship/coaching services for all youth in foster care upon request to help preserve placement stability. They also provide crisis intervention services to foster parents re is on-call support to preserve placements

- Collaborative Management has been successfully implemented in 17 counties which will be discussed in question 86.

- Colorado counties have embraced communities of faith through Project 1.27 to recruit, train, and support families willing to focus on adopting older children and sibling groups. To date over 216 families have been recruited and 79 children have been placed for adoption.

86. What counties are using a collaborative management approach in their systems? Do these counties demonstrate better performance or outcomes? Should we mimic this process at the state level so that there is more collaboration on the State's end?

Response:

Seventeen counties are participating in the collaborative management program: Boulder, Chaffee, Denver, El Paso, Elbert, Fremont, Garfield, Grand, Gunnison, Hinsdale, Jefferson, Larimer, Mesa, Pueblo, Routt, Teller, and Weld. In addition to these counties, if funding is made available, then the Department will mandate Division of Youth Corrections involvement in the Collaborative Management Program statewide.

Counties are presently self reporting their performance on outcomes and have selected different outcomes to be measured on. Given this, it is not currently possible to compare counties to each other in their performance. Therefore, the Department is requesting statutory changed to allow the department to standardize evaluation of the Collaborative Management Program.

Yes, the Department supports implementing the Collaborative Management Process at the Executive level. The Executive Directors supervising the agencies involved in Collaborative Management along with Judicial, county representatives, mental health and school district representatives have met to review the implementation of the Collaborative Management Program. The group is waiting for finalization of the Memorandum of Understanding across the supervising agencies in order to further support the implementation of the program. The State also uses a State Steering Committee for ongoing oversight of the Collaborative Management Program that includes members of all of the supervising agencies as well as representatives of the local collaboratives. The Department believes that this is sufficient to continue implementing the Collaborative Management Program.

87. Has there been a workload study that would shed light on why some counties perform better or worse in their child welfare systems? Are resources a component of the problem?

Response:

The State has not conducted any workload studies in the area of Child Welfare. Yes, resources are an issue for many counties, particularly in rural communities, given the significant increases in federal requirements that came with the CFSR, AFCARS, SACWIS, and Title IV-E requirements in 2001. A workload study would be beneficial to determine the scale of the problem.

Staff Issue: Federal Child and Family Services Reviews

88. Provide an update on the status of negotiations with federal authorities, the scope of sanctions currently anticipated related to the 2002 CFSR and associated Performance Improvement Plan (PIP), and the date when such sanctions would likely be applied.

Response:

Federal Health and Human Services (HHS) has requested additional information on two outcomes in order to finalize Colorado's performance on the PIP that was closed March 31, 2007. After HHS has had the opportunity to review the information requested, a determination will be made. The Department has not received formal notification from HHS regarding the amount of the sanction or when the sanction will be imposed. Based on information in the Federal Register about the sanction process, the Department has estimated that the sanction will be between $1.1 and $2.5 million, depending on the number of outcomes that are the basis for the sanction. Information from HHS Region VIII staff indicate that the Department will be able to negotiate when and how the sanction is applied.

89. What has happened in other states? Have any ever been sanctioned?

Response:

The National Resource Center on Organizational Improvement reports that two states have been sanctioned and one state is in negotiation of their sanction. Health and Human Services have not released the names of the states that have been sanctioned.

90. How does the Department plan to accommodate in the budget the anticipated financial sanctions for failure to comply with the PIP?

Response:

Financial sanctions will be addressed through the normal budgetary process and the Department will explore options for county and state liability.

91. Is the Department concerned about the 2008 CFSR data and its difficulty complying with the PIP from 2002? If so, what steps does it propose to take to improve its performance in ensuring safe, permanent placements for Colorado children who have been abused and neglected?

Response:

Yes, the Department is very concerned about the CFSR data and the results from the 2002 PIP. The Department is committed to meeting or exceeding the standards of CFSR. The CFSR process is an ongoing evaluation of case practice, and interagency protocols and will hold Colorado and other states to very high standards.

The State has taken numerous steps to improve performance. Those steps include requesting funding for new FTE, as stated on DHS decision item #8, and assuring the involvement key stakeholders in evaluating the State's child serving systems. This resulted in 6 regional self-assessment and identification of areas needing improvement. The next steps in the process will be to develop local plans to address deficit areas. Additionally, there will be cross county sharing of success strategies to improvement performance.

92. Should the State take over child welfare administration in poorly-performing areas to insure compliance with CFSR performance standards?

Response:

No, the State should not take over child welfare administration in poorly performing areas to insure compliance with CFSR performance standards. The Department would work closely with county commissioners in those most egregious of circumstance where the county department was unable to assure child safety.

The CFSR performance standards are set very high so that all states engage in the process of continuously improving their child welfare systems. For example, one of the measures is set at 99.6%. For some counties with smaller caseloads, an error in one case can drive their performance below this mark. An error in a single case is not necessarily a reflection that the county is incapable of assuring child safety. With strong oversight, the

Department will be able to assist county departments in improving performance on CFSR standards.

93 Do we know what it will cost to come into compliance with CFSR performance standards?

Response:

The CFSR, scheduled for June of 2008, will determine the extent of the State's compliance with the performance standards. In addition, the Department is pursuing options to evaluate the current organizational structure. Until the assessment and the CFSR are completed, it is premature to estimate the cost of coming into compliance.

Staff Issue: SAO Performance Audit of Foster Care Services

94. Discuss the steps the Department is taking to address concerns raised by the audit, with particular focus on Department proposals for statutory, regulatory, and staffing changes to improve the Department's oversight of county foster care programs.

Response:

The Department has developed a work plan to address the items raised in the 2007 Foster Care Performance Audit.

- The Department has reviewed the statutory authority to provide oversight to the county departments and determined that existing statutes provide appropriate authority. The Department is working with the Legislative Auditor and the Legislative Audit Committee to complete a technical modification in statute for statutory change for the Core Services Program. The Department believes this statute modification will clarify the legislative intent for the appropriate use the Core Services Program funding. It will also provide consistent guidance regarding the services to be provided, the populations to be served and the time limits of service. The draft language was presented to the Legislative Audit Committee in October 29, 2007.
- Rules will go to the State Board in January 2008 and are anticipated to be effective in April 2008. The package includes:
  - Requiring annual desk audits and annual attestations that the county departments' family foster care homes meet the applicable requirements
  - Requiring notification to the Department when a family foster care home is closed due to moderate/severe abuse or neglect.
  - Requiring a report to the Department to provide justification for keeping a family foster care home open when there is founded moderate/severe abuse.
- The Department does not have adequate staffing resources to be able to review county foster care programs, monitor the progress of corrective action plans in timely fashion, and to provide timely follow up if there is non-compliance reoccurrence. In order to address these concerns, the Department has submitted a budget request

(decision item No. 8) for six additional FTE to increase oversight of the county child welfare programs.

- The Department will work towards developing a progressive discipline policy that maximizes compliance with state statute, federal law, and Department rules. Discussions have begun with county commissioners and county director associations to lay the foundation for the development of progressive discipline process.

Staff Issue: SAO Performance Audit of Foster Care Financial Activities

95. Discuss the most significant steps the Department is taking to address concerns raised by the audit and to ensure child welfare funds are being used efficiently.

Response:

- The Department has made it a priority to evaluate the Child Welfare system and make systemic changes where needed. An organizational assessment of the Division will determine if the Division is meeting the needs of Colorado families. The assessment will provide an opportunity for the Department to assess the effectiveness of Child Welfare, as well as, Child Care and the Division of Youth Corrections in providing full spectrum of services and programs for children and adolescents.

- The Division of Child Welfare is in the process of identifying resources for completing a comprehensive rate study and obtaining a validated level-of-care instrument. A validated standardized tool will create consistency across counties in the methodology used for child specific rates based on a needs based care assessment.

- The Department has taken information from the Minimum Adequate Rates for Children (MARC) study that shows Colorado is the sixth lowest in the nation for amount of base Child Maintain rates for foster home care. The study did not include other rates, nor did they study negotiated rate costs in Colorado. Counties using the base rate for foster home care are experiencing difficulty in recruiting foster homes as the reimbursement is not adequate to cover the cost of caring for foster children.

  Updating the rate setting methodology is expected to result in less variation among counties. Many counties are reporting that they must negotiate rates because the base anchor rate is not adequate. In doing so, they are often not experienced in rate-setting methods or have developed rate negotiation skills and may not be getting the most optimal provider rates. Adjusting the base anchor rate to an appropriate amount will free some counties from negotiating rates, enhance foster care provider recruitment, and assure that foster homes are reimbursed a fair provider rate. The disparity of foster care rates across the state is extreme.

- The Department will implement steps to achieve improved accountability and oversight of Chafee funding by conducting fiscal reviews of county programs. :

- The Department is pursuing options to maximize federal Title IV-E revenue by implementing a federally compliant means of claiming costs associated with administrative activities conducted by Child Placement Agency staff, including case management activities.

- Child Placement Agencies are being provided specific examples of unallowable costs. This will include some of the more common errors CPAs make regarding unallowable costs.

Other Child Welfare Issues

Decision Item #NP1 (COLA) and Footnote 57

96. What happened to last year's COLA? Did counties pass the increase on to providers? Please discuss how this worked for CPAs, TRCCFs, and other kinds of child welfare providers.

Response:

The Department increased the base anchor rates for out-of-home care providers by 1.5% for the provider rate increase approved by the General Assembly for FY 2007-08. This change was made through an automated update in the Trails system effective July 1, 2007.

Rules will be effective January of 2008 which will require county departments to document how provider rate increases or cost of living adjustments approved by the General Assembly are included in the negotiation or renegotiation of the rates. After the rules are implemented, the Department will have a better understanding of the impacts of the new process on providers.

97. Now that we are doing TRCCFs rather than RTCs, have we reduced the disparities among rates paid to providers?

Response:

The disparity among rates paid to TRCCF providers was addressed through the rates setting process used by the Department for the rates set July 1, 2007. Most providers received a small to substantial rate increase while others either had their rates reduced or held constant.

Staff Issue: Overview of Child Welfare Request

Child Welfare Allocation and Projection Model

98. What are the trends reflected within the child welfare allocation model that drive an overall caseload increase of 3.4 percent for FY 2008-09 when the state's under-17 population is only projected to grow at about 1.7 percent? Why is the FY 2008-09 increase relatively large, while the FY 2007-08 increase was a strikingly small 1.1 percent?

Response:

- The optimization model used for allocation of Child Welfare Services funding includes a projection module referred to as the 'funding model', which uses population as the inflator/deflator in relationship to the drivers in the model. The FY 2007-08 funding request was calculated by the funding model using FY 2007-08 population projections from the State Demographer and applied to FY 2005-06 driver data after variance reductions are imposed.

- In comparing the FY 2007-08 and FY 2008-09 budget request to prior year budget requests, the Department has identified that starting with the SFY 2008 the provider rate increase was not applied in the out year request. This also occurred in the SFY 2009 request. This resulted in the SFY 2009 being understated by the provider rate increase the Department received in SFY 2008.

99. Is the allocation model, as presently formulated, an appropriate tool for projecting child welfare cost increases associated with caseload? Does it need to be modified? Do you have the expertise, or do you believe it would be appropriate to bring in some additional outside consulting expertise, to revisit the portion of the model that is being used to project child welfare caseload to determine this?

Response:

- Yes, the funding model in an appropriate tool for projecting funding increases. However, it appears that the provider rate increase has not consistently been accounted for in the model. The Department will analyze the issue and recommend an appropriate course of action.
- The Department will be revisiting this funding method, as well as exploring an alternative to the allocation methodology and exploring the possibility of linking funding to outcomes. The Department wants to assure any funding model used is not negatively impacting positive child welfare practice.
- The Department will utilize current resources and expertise to further analyze the current or alternate models as needed. The Department will seek outside expertise when a need for assistance is determined.

100. Do you believe the State should consider revising its projection methodology for FY 2008-09 figure setting or should such an adjustment wait until figure setting for FY 2009-10?

Response:

Yes, the Department will consider revising the projection methodology for FY 2009-10. The Department will analyze the fiscal impact of any provider rate increase and determine a course of action for FY 2008-09.

101. Is the State comfortable with the allocation model as an allocation tool? What changes or improvements are under consideration?

Response:

- The Child Welfare Allocation Committee charged with making allocation recommendations to the Department has raised concern about the current allocation model as it is currently operating. (*The Child Welfare Allocation Committee is comprised of four county commissioners, three State members, and 1 county director*). There are significant swings in county allocations from year to year. The committee has directed a State and county subcommittee to research, test, and make recommendations regarding an allocation methodology with the goals of improving stability and incorporating an outcome based approach to allocating funds.

  This funding instability currently experienced makes it difficult for counties to build and maintain programs, maintain staffing levels, and assure adequate service delivery. The allocation swings have been extreme for the small and medium size counties. The model does have functionality that allows for floors and ceilings to be applied to limit the variability experienced. The Child Welfare Allocation Committee elected to limit impact to counties by applying floors and ceilings to the allocation for FY 2007-08. The principles of the model are good, but modification to stabilize the funding swings should be considered.

- As a result of direction of the Child Welfare Allocation Committee, the Department and county representatives are exploring alternatives to the current methodology that would incorporate an outcome-based allocation factor. An alternative model could include a base allocation methodology (either using a modified version of the current model or new model), and then factor in an outcome-based incentive allocation for achievement of identified outcomes. The goal is to create an allocation process that supports and encourages good child welfare practice, without eliminating county flexibility in how programs are designed to achieve outcomes, and provide for some level of stability in base funding from year to year.

Collaborative Management Incentive Program/Decision Item 3B

102. Discuss the information currently available with respect to the effectiveness of the collaborative management programs and the basis for the "$2.9 million in savings" figure included in the request. Please also discuss how you anticipate that the evaluation of these programs could be improved so that effectiveness and cost-effectiveness can be clearly demonstrated.

Response:

The information available with respect to the effectiveness of the Collaborative Management Program (CMP) is self-reported by the counties.

- El Paso, Chaffee, and Teller counties report the implementation of cutting edge programs, such as High Fidelity Wraparound, which is effective in serving children in a community setting instead an institutional setting.
- The Interagency Oversight Groups for Weld and Larimer counties teamed up to successfully apply for a $2.5 million dollar federal grant to serve methamphetamine addicted parents and their children.
- Family members and consumer advocates have been added to governance and operational teams at several CMP counties, effectively engaging family voice and choice in the application and delivery of services.
- Boulder County reports that their Division of Youth Corrections (DYC) Team added a new position of School/Work Coach to work more closely with parolees in achieving greater connections with schools and jobs and to reduce recidivism. They also report the development of an effective collaboration between Probation, Community Justice Services, Mental Health, the Gang Task force and the Community Center to better serve gang youth and families.
- Larimer County reports a 70% reduction in children dropping out of school, a 30% reduction in inpatient services, and a 43% increase in successful probation terminations from FY 2005-06 to FY 2006-07. Furthermore, there was a 41% reduction in negative moves, a 47% reduction in new criminal charges, and a 66% reduction in DYC commitments after implementation of H.B. 04-1451.
- Denver County reports a reduction in commitments associated with the implementation of the CMP.
- Jefferson County reports a dramatic increase in the CFSR outcome of monthly face-to-face visits with children, from 82.4% to 88%.

The $2.9 million dollars in estimated reinvestment savings for the Collaborative Management Program was determined from information provided by the participating counties. The information provided was in areas that included: reduction in out of home and institutional placements and commitments, reduction in length of stay in out of home placement, reduction of level of re-entry into out of home care, increase in number of youth successfully completing terms of probation, reduction in the number of truancies, and a reduction in use of inpatient services.

The Department has requested legislation that will allow for the evaluation of this program. The evaluation will provide an independent and impartial assessment of the effectiveness of collaborative efforts, identify model practices that can be shared statewide, and determine if cost savings is realized.

103. Should there be a change to statutory provisions allowing any county participating in the program that under spends the General Fund portion of its "capped or targeted allocation" to use the savings to provide services to children and families--given the uncertain link between counties' child welfare expenditure levels and their participation in this program?

Response:

No, statutory change to remove the counties ability to reinvest under-spent general fund of the capped of targeted allocation is not recommended. The Department believes that allowing counties to keep an appropriate portion of their under-spent general fund will encourage county participation in CMP and will result in improved services to children and families related to safety, permanency, and well-being. Improved services to children and families can assist Colorado’s performance on the Federal Child and Family Services Review.

104. The FY 2008-09 funding level requested from the Collaborative Management Incentive Cash Fund does not appear to be sustainable. How does the Department expect that it (and counties) will address this when the fund balance is exhausted? Would the anticipated drop in funding after three years present a significant problem for counties participating in the program?

Response:

Current earnings are not sufficient to sustain the incentives payout to counties over time. The Department will evaluate options for addressing future shortfalls in the fund balance as anticipated shortfalls occur. The Department may consider alternative sources of funding or changes to the incentive structure at that time.

Decision Item #8: Child Welfare Staff

105. Explain decision item #8 and how you anticipate that the staff requested will be used. To what extent is staff time expected to be allocated to training as opposed to monitoring and file reviews? What kinds of data will be collected, accessed and used? What will be the process for follow-up (including sanctions) if problems are found?

Response:

Decision item #8 was initiated to address areas identified by the Department as needing improved oversight, to respond to many of the 2007 Foster Care Performance Audit issues, and to address areas of concern drawn to attention by recent child fatalities. The goals are to improve the Department's ability to assure county accountability and compliance, monitor county child welfare programs, oversee subsequent corrective actions, and provide technical assistance and training. To accomplish these goals, the Department has requested six additional FTE and funding for Structured Analysis Family Evaluation (SAFE) training. The Department anticipates utilizing these FTE as follows:

- Four of the FTEs (plus one existing FTE) will create a county foster care/child welfare program monitoring team. It is estimated that this team will complete approximately 22 county reviews annually. The team will be responsible to monitor quality assurance through identification of Volume 7 compliance areas in the foster care certification program, out-of-home procedures, child safety, permanency, and well-being. This will incorporate assessment of county procedures and casework practice through interviews and case file review (child and foster care provider files), including information sharing between the county department and providers. It will also include assessment of recruitment and retention strategies, determine success of these strategies and recommend improvements as needed. The team will be responsible for completing desk audits of county foster care files and monitoring annual attestations provided by the counties. Corrective actions will be developed as appropriate and monitored timely to their completion. The focus in more extensive reviews will be to identify and ameliorate compliance requirements and to identify the extent to which practice in the counties improves, meets, or maintains the national standards for safety, permanency, and well being. Replicable county practice that facilitates improving, meeting, and maintaining national standards will be shared with other counties.

  In the 2007 Foster Care Performance Audit, safety in out-of-home care was identified as needing improvement and will be addressed by the team. This team will be responsible for assuring that county departments document when county foster homes remain open following confirmed (moderate or severe) abuse or neglect dispositions.

- The fifth position will be responsible for monitoring county accountability in the area of the automated case management system (Trails). The position will review information in Trails to determine where compliance issues exist and will work with counties, as outlined previously in this question, to achieve compliance in completing appropriate areas in Trails. The position can partner with the monitoring team to assure that information contained in case and provider files is consistent with information entered into Trails. This position will also assist to assure that information is adequately populated in Trails, and facilitate improvement in data reliability. Complete and accurate data will provide valuable information that will be used to improve practice. Child safety and well-being can be enhanced through improved utilization of data and information sharing. This position will support improved child welfare practice through data collection and reporting.

- The sixth position is for a Kinship Care Specialist. This position will be responsible to conduct a statewide assessment of kinship practice in Colorado, including existing community and county resources/programs, and county TANF plans regarding kinship. Initially the position will be expected to identify the most significant areas needing improvement in order to build more structure into kinship programs statewide; will consult with the counties to identify strategies to improve the practice of assessment, safety, and ongoing support to kinship families; and will be responsible to reassess and revise Volume 7 rules to improve the kinship program. The FTE will identify compliance areas needing correction, will conduct reviews in conjunction with the monitoring FTEs in counties where there safety issues related to kin have been identified, and will assure that county departments comply with requirements related to kinship. The position will provide training to the review team regarding kinship policy to develop a mechanism for reviewing kinship practice statewide.

The main focus of the new FTEs will be on monitoring and compliance issues, minimal training is expected to be completed by these FTE. It is the expectation of the Division that current training modalities will be used as appropriate.

Data related to county compliance with Volume 7 will be assessed and collected. Compliance regarding county responsibilities for critical incidents reporting and county follow up to investigation regarding their foster homes will be accessed and collected. Data regarding institutional abuse reports in the foster homes will be collected for reviews. Data on foster homes that remain open following confirmation of abuse and/or neglect will be collected and used during reviews and for follow-up if required information is not reported. The results of desk audits completed by the team will be tracked and pervasive issues either county-specific or statewide will be identified and strategies to resolve the issues will be implemented by the Department.

106. How do the specific components of this request tie to the problems identified by the CFSR and the 2007 SAO Foster Care performance audit, as well as the associated SAO recommendations?

<u>Response:</u>

The components in this request relate to issues identified in the 2002 Child and Family Services Review findings, and the 2007 Foster Care Performance Audit in the following areas:

a) Reviewing and monitoring county practice regarding compliance with foster care certification through desk audits, annual attestations, as well as practice and county operation through more extensive reviews that are conducted to include such items as information sharing with providers,

b) Identifying successful recruitment and retention strategies for county departments,
c) Strengthening oversight of safety in county foster homes that remain open following confirmed reports of abuse or neglect (moderate or severe) through data collection,
d) The counties' progress with improving, meeting, or maintaining national standards regarding safety, permanency, and well-being will be monitored,
e) Timely completion of corrective action plans, and,
f) Assuring compliance with reporting critical incidents and county follow up to institutional investigations in county foster homes, as well as identifying trends within the counties.

107. Other Department sections also have responsibility for oversight of foster care services and programs. Specifically, the Administrative Review Division conducts an in-person review of every out-of-home placement every six months. The Child Care division is responsible for licensing both 24-hour facilities and Child Placement Agencies. In addition, the Field Services section provides technical assistance to counties in various compliance areas. In the past, staff from some of these sections were used to assist the Division in conducting reviews of county child welfare programs. The 2007 SAO Audit has also suggested that there may be overlap between the activities of the Division of Child Welfare's 24-hour monitoring team and the Division of Child Care's licensing activities. How would the duties of the staff requested in this decision item overlap with– and interact with--the responsibilities of other Department sections such as the Division of Child Care and the Administrative Review Division?

Response:

While the information from other Divisions or Agencies will be a valuable resource for the requested FTE in assisting with their work, the information does not fill the monitoring and oversight gap that currently exists. The Administrative Review Division staff reviews the individual cases of children in and out-of-home care according to federal requirements. The Administrative Review Division determines compliance with federal requirements both case by case as well as in the aggregate. The Administrative Review Division does not look at the overall practice of the county departments. The focus of the new FTE will be to evaluate the county child welfare system including its policy and procedures to assure child safety, permanency and well-being. The Division of Child Care staff, by contrast, monitors provider compliance with licensing requirements. The Division of Child Care staff do not monitor county compliance with county certified foster homes. The requested FTE will be specifically charged to oversee the counties in their foster home certification process.

108. A "risk based" approach could allow the Department to target limited oversight resources to counties with significant problems. The 2007 SAO Audit found that the Department had not authorized a risk-based approach to the licensing of child placement agencies,

despite the fact that this approach had been authorized in statute since 2004 [Section 26-6-104(1), C.R.S.]. Would a risk-based approach be used in the review of county foster care programs? Why or why not?

Response:

Yes, the Department intends to establish a "Risk Based" model for evaluating county foster care programs.

A "Risk Based" model of monitoring will be implemented. The initial phase is for the Department to have regular of oversight and contact with all county departments to make a "Point In Time" analysis of the counties' foster care operation and level of compliance with rules and regulations. Secondarily, staff would assign a level of risk based on county performance to determine the extent of oversight, need for follow-up visits, and frequency of monitoring cycles. The Department estimates that approximately 10% of the counties (about 6-7) would require increased oversight based on their level of risk.

Safety, permanency, and child and family well-being are key outcomes. A risk-based approach allows the Department the ability to allocate the resources necessary to improve child safety and that a county department is meeting rules and regulations. A point in time evaluation system requires a regular schedule of contact and interaction of all county departments to accurately assess performance and achievement of goals.

Medicaid Revenues and Rates (PRTF and TRCCF Programs)

109. Is the continuum of care model for residential services (PRTF and TRCCF programs) functioning as anticipated? Is the model consistent with recently-announced federal Medicaid changes? If not, how should it be changed?

HCPF Response:

The current model for PRTF and TRCCF as residential services for children/youth in out-of-home placement is statutorily exempted from inclusion in the managed care waiver program for Medicaid community mental health services and is paid under a State Plan Amendment fee-for-service reimbursement methodology. The federal Centers for Medicare and Medicaid Services (CMS) has raised questions about whether PRTFs and TRCCFs constitute institutions for mental disease (IMD) under Medicaid, which in turn carries certain prohibitions on federal financial participation. Although federal IMD law and regulation allow for federal financial participation for mental health services for youth aged 0-21, recent U.S. Department of Health and Human Services (HHS) Appeal Board rulings have been that such FFP is limited to mental health services and that no other medical or health care services to these youth residents is allowable. The Departments of Human Services and Health Care Policy and Financing have provided information to CMS to clarify that decisions to remove children/youth from home into such placements are not made based primarily upon need for mental health treatment services, but rather to address concerns of protection and safety and therefore do not meet IMD criteria. The Departments have not yet received a CMS response to that clarification. Additional recent CMS changes in federal regulations concerning rehabilitation services have the potential to drive increased client record documentation at the provider level to meet the requirements. If the current model of reimbursing Medicaid community mental health services provided to children/youth in PRTF/TRCCF residential placements under the State Plan Amendment fee-for-service methodology were changed to be included under Medicaid managed care waiver program for community mental health services, these issues would be addressed.

Child Welfare Response:

The continuum of care model is functioning as anticipated though using less PRTF placements then originally estimated. Discussion between HCPF and DHS has indicated there are two options available to meet recently clarified federal policy for the TRCCF and PRTF programs.

Option 1 is as outlined above and moves the programs under the Mental Health capitation waiver. One of the reasons that this option wasn't adopted during the redesign process was that it put the State in the position of potentially paying for a service twice, once through capitation and once through the county department. The county department is routinely ordered by the court to assure that children's needs are being met and with two different agencies determining the course of treatment, the potential for paying twice is increased.

Option 2 is to change statute and remove the therapeutic designation for TRCCFs thereby removing the federal issue that the primary purpose of the facility is for mental health treatment. This supports the HCPF information to CMS that the primary purpose of the facility is to provide a placement for children who are abused or neglected and who may also be in need of mental health treatment.

110. What are the financial implications of any proposed changes to the PRTF and TRCCF programs (including any proposed changes to county match rates)?

HCPF Response:

If the current model for PRTF and TRCCF as residential services for children/youth in out-of-home placement is determined by CMS to meet IMD criteria, the federal financial participation prohibitions may result in loss of federal matching funds. It is not possible to estimate any potential loss without the detail of such CMS determination.

Child Welfare Response:

The State received approximately $3 million in federal financial participation in FY 2006-07 for children in TRCCF and approximately $700,000 in PRTF placements. As noted in the HCPF response the amount of any potential loss cannot be determined prior to a ruling by CMS. DHS is committed to working with HCPF to resolve any outstanding issues.

111. Does the Department seek to have the Joint Budget Committee sponsor related legislation in 2008?

Response:

Yes, the Department supports statutory change to address the issues that currently exist. Legislation requested will depend on whether Option 1 or Option 2 is selected. Additionally the Joint Budget Committee will be asked to sponsor legislation to implement a new county match rate for non-Medicaid funded residential care. The Department, considering the recommendation of the Child Welfare Allocation Committee, will be recommending a 10% county match rate for the costs of care associated with residential child care facilities.

4:30 -4:45 OFFICE OF OPERATIONS

Decision Item #1B (New forensics unit)

112. When will this facility be opened, based on progress to-date? How far before the opening date do Office of Operations staff need to be hired, and why?

Response:

Construction of the new HSFI facility is scheduled to be complete on December 17, 2008. Patients are scheduled to begin moving into the new facility in June 2009.

Division of Facilities Management (DFM) FTE classifications will be hired as follows:

- Maintenance classifications hired eight months prior to patient occupancy to perform systems start-up and commissioning of building systems, participate in contractor-provided systems training, (ie: security control systems, door control systems, fire alarm/smoke management systems, and building automation and control systems). The above-mentioned start-up, commissioning and training must be completed prior to institute staff beginning their building training. DFM will then train institute staff on all building systems.
- Grounds/Nursery classification hired five months prior to patient occupancy. This is required as the HSFI contains a satellite controlled irrigation management systems. Intensive training and commissioning of this new system is required before irrigation start-up on April 1, 2009. Also, this position will be training

existing grounds staff on all landscaping elements, irrigation systems and performing irrigation system commissioning and start-up in the HSFI complex.

- Custodian I classifications hired five months prior to patient occupancy. This time is needed to train staff within the new facility. Training will include of both institute operational training, and systems and security training. Also inventory staging of housekeeping equipment and supplies is required in all patient care units and housekeeping storage rooms. Once primary construction is complete, housekeeping staff will begin conducting final cleaning routines in all building areas.
- Utility Plant Operator I classification to begin seven months prior to patient occupancy to begin training on all new heat plant control systems and boiler operations associated with the heat plant expansion project. Also, it is anticipated that the demand for steam will increase in October 2008 as building systems are brought on line. This will necessitate using both coal and gas boiler operations, which will require a higher staffing level than present.
- LTC I classification hired nine months prior to patient occupancy to begin development of an additional maintenance department which will perform primary building maintenance for the new facility. This individual will be involved in the final construction elements, building commissioning and testing, conducting new staff training within the complex, and hiring new staff as described above.
- Custodian III classification hired six months prior to patient occupancy for the same reason as described within the LTC I above.

Decision Item #12

113. Is there statutory authority to receive and expend revenue related to facility leases on the Pueblo campus? Does this need to be fixed?

Response:

The Department received an informal opinion from the AG and there does not appear to be statutory authority to receive and expend revenues related to facility leases on the Pueblo campus. In light of this the Department is evaluating the impact to the Buildings and Grounds budget and associated FY 2008-09 decision items.

Footnote 52

114. What trends has the Department seen in the indirect cost collection area in the last five years?

Response:

The Department has utilized the annual reporting requirements for Footnote 52 to maximize its indirect revenue recoveries from federal and cash sources in accordance with the limitations set forth in the Long Bill. The amounts of under collected indirect revenues are fully disclosed by program in the annual report. Although indirect cost recoveries fluctuate due to the funding levels and the activities of CDHS administrative offices, the trend appears to relatively stable growth in indirect collections.

State Fiscal Year	Federal Indirect Cost Collection	*Annual Percent Change*
SFY 2003	$ 7,849,713.38	
SFY 2004	$ 8,061,828.61	2.70%
SFY 2005	$ 7,567,917.99	-6.13%
SFY 2006	$ 8,515,400.29	12.52%
SFY 2007	$ 9,125,449.24	7.16%

4:45 - 4:50 COLORADO COMMISSION FOR THE DEAF AND HARD OF HEARING

115. Is statutory change required to ensure that General Fund and Disabled Telephone Users Fund appropriations to the Commission may be made without pass-through to the Commission Cash Fund? Explain the problem and possible solutions.

Response:

After discussions with the State Controller's Office, current language in Statute will allow for the General Fund and Disabled Telephone Users Fund appropriations to be recognized directly in the Commission Cash Fund.

4:50 -5:00 STATE AND VETERANS NURSING HOMES

116. Provide an update on the nursing homes. Briefly review quality of care and fiscal issues, and your request for capital construction funds.

Response:

State and Veteran Nursing Home Update

The Department of Human Services heard the concerns of the Executive Branch, General Assembly, and multiple stakeholder groups regarding oversight for the State and Veterans Nursing Homes. In order to add accountability and resources to the homes, the Office of State and Veterans Nursing Homes was created and the Office Director, Viki Manley, started January 4, 2007. In the eleven months the Office has strengthened supportive expertise by adding a Director of Quality Assurance; implemented measurable objectives regarding culture change; worked with stakeholders to successfully pass three key pieces of legislation; raised the level of financial accountability and reporting; a Marking and Business Development Manager will start in January 2008; and is exploring options to recruit and retain valued staff members at all levels.

The State Veterans Nursing Homes at Fitzsimons

- Opened on October 20, 2002
- The facility has 180 operating beds, including a 21-bed Alzheimer's unit and a 24-bed rehabilitation unit. All facility beds are Medicare Part A certified
- Fitzsimons is providing excellent care with above average occupancy and generates enough revenue to cover all costs, operating at a profit
- Discussion is underway to explore the possibility of creating an assisted living or domiciliary living environment on the Fitzsimons campus to allow the State to address service needs such as PTSD, brain injury, substance abuse and job/life skills

The State Veterans Nursing Home in Florence

- Opened in January 1976 and was dedicated as a state home on Veterans Day, November 11, 1976
- The facility has 104 operating beds, including a 14-bed special care/Alzheimer's unit

The Colorado State Veterans Center in Homelake (the Soldiers and Sailors Home)

- Opened in 1890
- The Center consists of a 60-bed nursing home, opened in 1991, and a 46-bed domiciliary. This facility sits on a large campus with several designated state historical buildings and a cemetery with historical significance

The State Veteran Nursing Home in Rifle

- Opened on June 6, 1987

- The facility has 96 operating beds, including a 12-bed special care unit and is Medicare certified

The Trinidad State Nursing Home
- Opened on April 1, 1957
- The facility has 119 operating beds and an Adult Day Service Program

Quality of Care

Quality of Care at the Colorado State and Veterans Nursing Homes (CSVNH) is measured in terms of quality of life and quality of care survey results performed by two outside organizations. The Department of Public Health and Environment completes an annual survey to ensure compliance with the Centers for Medicare and Medicaid Services (CMS) regulations for skilled nursing facilities referenced at 42 C.F.R. Chapter IV Part 483. In addition, the U.S. Department of Veterans Affairs (VA) completes an annual survey to ensure compliance with their standards for nursing home care referenced at 38 C.F.R. Part 51. Below is a summary of both CMS and VA surveys.

Nursing Home	CMS Survey 2006 Deficiencies	CMS Survey 2007 Deficiencies	VA Survey 2006	VA Survey 2007
Fitzsimons	13	4	5 not met - 7 partially met	Not yet surveyed for 2007
McCandless, Florence	4	4	0 not met - 1 partially met	Not yet surveyed for 2007
Homelake	0	9	6 not met - 15 partially met (majority were facility life safety issues*)	7 not met - 14 partially met (majority were facility life safety issues*)
Rifle	2	3	5 not met - 4 partially met	Official report not yet received
Trinidad	13	5	N/A	N/A
CSVNH Average	6.4	5	4 not met – 6.75 partially met	Unable to determine, 1 out of 4 surveys completed, 1official report received to date.
Colorado average for all nursing homes surveyed between October 1 September 30	8.82	9.89		

The majority of the CSVNHs improved or maintained the quality of care as evidenced by the survey process. All homes received fewer deficiencies for the 2007 CMS survey cycle then the average nursing home in Colorado. *The majority of the ‘not met’ or ‘partially met’ VA findings at Homelake are the result of life safety issues that will be rectified with the renovation project funded through the General Fund, U.S. Department of Veterans Affairs and the 505 Central Fund.

In addition to survey results, the CSVNH track other quality assurance measures, including the number of residents without falls. Each home has a quality improvement/quality assurance committee that meets monthly to evaluate data regarding resident falls. The data is collected, falls are tracked and trended over the course of the month and reported to the committee. Investigations into the causes of the falls and interventions to prevent future falls are implemented. The average number of residents without falls since January 2007 through October 2007 has increased from 75 to 81, a **7.7 % improvement**.

Financial Position

	Fitzsimons	Florence (McCandless)	Homelake Note 1	Rifle	Trinidad	Total
Census:						
FYE 6/30/07 - represents daily average	167	90	89	79	98	523
YTD 10/31/07 - represents daily average	173	97	87	82	98	538
Difference - B/(W)	5	8	(2)	4	0	15
Capacity-Operational Beds:						
FYE 6/30/07	180	100	106	96	122	604
YTD 10/31/07	180	104	106	96	119	605
% Occupancy:						
FYE 6/30/07 - represents average	93.0%	89.8%	84.0%	81.8%	80.6%	86.6%
YTD 10/31/07 - represents average	95.8%	93.6%	82.1%	85.8%	82.8%	88.9%
Selected Financial Data:						
Total Revenues						
FYE 6/30/07 - represents full year	17,223,036	8,698,307	5,056,179	7,390,509	6,162,755	44,530,786
YTD 10/31/07 - represents 4 months	6,395,584	3,027,907	1,641,806	2,763,091	2,087,031	15,915,419
Total Expenses Note 2						
FYE 6/30/07 - represents full year	17,351,277	8,300,210	4,706,490	7,341,466	7,082,353	44,781,796
YTD 10/31/07 - represents 4 months	5,769,609	2,935,367	1,696,653	2,633,524	2,467,752	15,502,905
Total Profit/(Loss)						
FYE 6/30/07 - represents full year	(128,241)	398,097	349,689	49,043	(919,598)	(251,010)
YTD 10/31/07 - represents 4 months	625,975	92,540	(54,847)	129,567	(380,721)	412,514

Notes:

1. Homelake - includes the nursing home and domiciliary
2. Total Expenses include operating expenses, i.e., payroll & benefits, medical supplies, food costs, pharmaceuticals, etc. plus depreciation and bond/note costs

The financial performance for the first four months of FY 08 shows three out of the five state-operated nursing homes, Fitzsimons, Florence, and Rifle, operating at a profit. Homelake and Trinidad are operating at a loss. Strong financial oversight continues to occur with monthly review of key financial indicators and budget to actual variance analysis.

Fitzsimons is averaging 95.8% occupancy rates and their total profit is strong at $625,975 YTD through October 31, 2007. Rifle and Florence have also had gains in their census and profit view from FY07 to October 31, 2007. The forecast is for these trends to continue through FY08.

Homelake has had a decline in their census and are pursuing other revenue opportunities to improve their financial performance. They will become Medicare certified December 1, 2007. In addition, Homelake is preparing for a major construction project on the campus which will require nursing home beds be made available to domiciliary residents which may result in a less than average census for 2008.

Trinidad continues to operate at a loss. There are several factors that are contributing to their financial performance. Of the five nursing homes, they have the lowest Medicaid rate with a Medicaid population of over 80% of their residents. Additionally, they are not a Veterans home and do not receive the VA per diem. To counter these challenges the facility is actively exploring niches, and analyzing staffing levels based on resident needs and acuity to determine ways to cut staffing costs without affecting the quality of care provided to the resident.

Recruitment and Retention Challenges

The issue of recruitment and retention is not limited to one provider group within the State, but has issues throughout State provided long term care services. The problem with recruiting and retaining qualified professional nursing staff is both difficult and expensive given the current supply and demand in Colorado. Competition is stiff and the wages and benefits offered by other non-State employers are increasing.

For example, staffing in a small labor market, such as Rifle, which already has some of the highest housing and living costs in the State creates many challenges with few or no new resources to handle them. Medicaid reimbursement is the major payor source at the State and Veterans Nursing Homes, which limits options since it is a capped cost system that does not meet current costs. Rifle is surrounded by the energy industry, which has more resources available to compete for the small number of people. Rifle is currently completing a wage compression for staff nurses that will move their base pay up to $36.00 per hour, the cost of which cannot be passed along to the resident.

The nursing home adjacent to Rifle recently offered a $10,000 sign on bonus to R.N.s that resulted in the loss of one nurse with several others openly discussing their options. The other long term care providers in the Grand Valley are offering large bonuses with many other incentives that are not available in the State system such as 100% educational reimbursement, child care allowances, mileage allowances, uniform allowances, discounted ski lift tickets and better health plans with little or no cost to the employee or their family.

Capital Construction Funding

The Office of State and Veterans Nursing Homes has two projects that have either received Capital Construction funding, Homelake, or have a request in for the 2008 state fiscal year, Florence. Please see the summary of funding and objectives below.

McCandless State Veterans Home at Florence

Phase	Total Cost	Federal Funds	State Funds	State Funding Source
Design/Administration	$1,045,000	$679,250	$365,750	505 Central Fund
Construction Phase 1 (Fire Alarm, Emergency Power, Nurse Call)	$ 905,000	$588,250	$316,750	505 Central Fund / Veterans Trust Fund
Construction Phase 2 (HVAC, Lighting, Windows, Vestibule)	$ 3,050,000	$1,982,500	$1,067,500	Energy Savings/ 505 Central Fund
Construction Phase 3 (SCU Addition)	$930,000	$530,700	$399,300	505 Central Fund
Construction Phase 4 (Dining Improvements, Elevator)	$ 1,560,000	$275,000	$1,285,000	Capital Construction Funds Exempt
TOTAL	$7,490,000	$4,055,700	$3,434,300	

In 2003 the Department of Human Services was approved for $4.055 million in VA Construction Grant monies. The previous administration felt the State portion of the match could be funded through the 505 Central Fund, so the decision was made not to request General Fund support for the needed match. However, it was during this time that the Fitzsimons Nursing Home required the use of all non-operating central fund monies. The match currently being requested will be used to complete the original scope of work, and prevent a payback to the VA Construction Grant Fund.

Colorado State Veterans Center at Homelake--Domiciliary Renovations

Phase	Total Cost	Federal Funds	State Funds	State Funding Source
Design/Administration (cost included in VA Grant)	$288,200	$0	$288,200	Capital Construction Funds Exempt
Remodel All Cottages, Asbestos Removal, Fire Sprinkler Replacement, Energy Efficiency Improvements, Site Accessibility Improvements	$4.2 million	$2.7 million	$918,000	Capital Construction Funds Exempt
TOTAL	$4.2 million	$2.7 million	$1.2 million	