

HB

704

Report To The Alaska State Legislature  
House Of Representatives  
Health, Education, and Social Services Committee  
Representative Thelma Buchholdt, Chairman

By: John C. Garvin, Ph.D.  
President, Alaska Association of  
Homes for Children, Inc.  
Executive Director, Alaska Children's  
Services, Inc.  
1200 E. 27th Avenue  
Anchorage, Alaska 99504  
Phone: 276-4515

Date: April 9, 1980

RE: HB704

In behalf of the Alaska Association of Homes for Children, Inc., and Alaska Children's Services, Inc., I want to speak in opposition to HB704 entitled "An Act Relating to the Purchase of Services By The State For Persons Under Its Responsibility; and Providing For An Effective Date."

HB704 was drafted by the Department of Health and Social Services and proposes to repeal and/or amend major sections of Alaska Statute 47:40 so that the intent is totally changed.

The Alaska Association of Homes for Children, Inc. is a statewide association consisting of 14 of the State's 16 private non-profit child care agencies. These agencies provide residential care and treatment for some of Alaska's most troubled, abused, and neglected children and youth. More than 2,000 children are cared for each year with approximately 250 in care on any given day. These are children that do not have families of their own who can care for them and have generally been in and out of numerous foster homes.

For the past ten years, private non-profit child care agencies in Alaska have been providing residential care and treatment for children placed by the Department of Health and Social Services. They have been reimbursed according to Alaska Statute 47:40. This is often referred to as the "Full Cost-of-Care Statute".

Although AS 47:40 has never allowed for the full reimbursement of the care of State placed children, it is superior to the reimbursement method of contracting proposed by HB704 in some of the following ways:

1. AS 47:40 currently enables continuity of care for troubled, disturbed, often abused children who need protection and security. Under the changes proposed by HB704, children could be uprooted and moved from one agency to another at the end of a contract period. Relationships with their primary caregivers would be broken and another, often traumatic move from one home to another could undermine any improvement they have made or security they have found. Even knowing in advance that a move is pending would be detrimental to their sense of wellbeing and security unless it is carefully incorporated into their treatment plan which cannot always be made to coincide with the State's fiscal year.
2. AS 47:40 promotes and maintains the private voluntary nature of child care institutions which historically have provided high quality care

and treatment of orphaned and troubled children. Agencies across the State have invested millions of dollars in facilities and equipment for the care of children. Under HB704, private enterprise would suffer. Agencies would be unable to make long-range plans and the recruitment of professional staff would be seriously jeopardized.

3. AS 47:40 protects the small agencies from hard pressure contracting methods. Under provisions of HB704, the Department would hold the upper hand in negotiating contracts with small, private child care agencies. The Department with its resources would be able to hold out indefinitely for a reimbursement rate which may be substantially less than the agency needs to operate a quality program.

Presently, the Department has the option of contracting with agencies for new services and of discontinuing its placement of children in any agency which it does not care to use. During the past year, its Division of Corrections chose not to use two agencies.

The present statute requires the Department to provide a cost-of-living increase. If it had not been for this requirement in the law during the past year, the Department would not have granted a cost-of-living increase. It took an opinion of the Attorney General to bring the Department into compliance with the existing statute. Without certain protection provided by the current statute, private agencies would be at the mercy of the Department.

4. AS 47:40 protects against inflation. Not only does it provide in Section 040(a) for a reimbursement rate to include a proportionate share of anticipated cost-of-living and staff salary increment increases but it enables agencies to keep up with inflation even though the Department's annual increase has historically been less than the inflation rate reported by the U.S. Department of Labor. The method of determining the rate incorporates the actual allowable expenses for the preceding year divided by the number of days of care. Under HB704, no guarantee of consideration for inflation will be provided unless it is a part of the negotiation process. The private agencies have historically found the Department to offer less than the actual rate of inflation. The current year is a good illustration where the proposed inflation rate is considered to be 18%. The Department has been insisting on limiting the rate increase for FY 1981 to 9%. The agencies feel that a very minimum of 12% must be included and this has met with considerable resistance.

A multi-year contract without an automatic inflation increase would cause undue hardship to most private agencies.

5. AS 47:40 encourages creativity, dedication, and joint public/private financing of child care programs. Historically, the private agencies have had to raise 10 to 20 percent of the cost of care. This has encouraged agencies to find private funds for the improvement of their program in situations when the State has been reluctant to support an innovation that would benefit the program and children in care. Furthermore, most child care salaries paid by private agencies are only one half to three fourths that of the salaries paid to State employees for comparable positions. In fact, the private agency employees personally subsidize the care of State placed children to

the tune of several hundred thousand dollars a year, due to their dedication to the agencies and the children they serve even though they cannot be paid the type of salaries they deserve.

Under HB704, private agencies would have less opportunity to develop programs they know to be in the best interest of children inasmuch as the Department would have a greater capacity to dictate the nature and content of the program.

For these and other reasons, the Alaska Association of Homes for Children, Inc. and Alaska Children's Services, Inc. oppose vigorously HB704. It is true that there are limitations to AS 47:40. Primarily the present statute does not require cost settling and reimbursement for depreciation on property and equipment.

Representative Charles Parr has introduced HB637 which would strengthen AS 47:40 by requiring that the Department cost settle and allow depreciation as a reimbursable expenditure.

In behalf of the private child care agencies of the State of Alaska, I urge you to oppose HB704 and to support HB637.

**DEPT. OF HEALTH AND SOCIAL SERVICES**

**OFFICE OF THE COMMISSIONER**

POUCH H 01 - JUNEAU 99811

April 9, 1980

The Honorable Thelma Buchholdt  
 Chairman  
 House HESS Committee  
 Pouch V  
 Juneau, Alaska 99811

Document # 65-80

Dear Ms. Buchholdt:

COST OF CARE RATE HEARINGS  
REPORT TO THE LEGISLATURE

Alaska Statutes, Chapter 47.05.010(14), mandate a public meeting be held by the Department of Health and Social Services "in February to review, study, and propose the necessary levels of care and the rates it (the department) will pay to anyone for the services required during the succeeding year; before final adoption by the department, the proposed levels of care and the rates of payment shall be reviewed by the Legislature annually while in session."

The meetings to conform to the statutes were held during February, 1980 as required. Testimony was presented on both the rates of payments and the levels of care during the hearing process. Attachment 1 lists the estimated rates which need to be paid during FY 1981 based upon testimony given by the providers. Attachment 2 provides the cost estimate and rates without the provider requested 3% allowance for fringe benefits. Funding for both institutional and foster care for instate costs appears to be insufficient to meet the estimated expenditures.

All calculations of costs presented in this report are based on provisions of current purchase of service statutes.

The rates reflected on Attachment 1 were developed using a 12% increment for salary, a 12% cost of living allowance for all expenditure categories other than salaries and benefits, and a 3% increment for employee benefits. These increases were requested by providers during the rate hearings.

Costs as Requested by Providers at Hearings

	<u>Division of Social Services</u>	<u>Division of Corrections</u>	<u>Department Total</u>
<u>Institutional Care</u>	(In-State)	(In-State)	
Budgeted Amount	\$4,281,300.00	\$2,001,675.00	\$6,282,975.00
Estimated Cost	6,893,119.00	2,550,313.00	9,443,432.00*

Balance (Deficit) (2,611,819.00) ( 548,638.00) (3,160,457.00)

\*The difference in \$9,993,958 on Attachment 1 and \$9,443,432 shown represents projected changes in placement patterns.

<u>Foster Care</u>	<u>Division of Social Services</u>	<u>Division of Corrections</u>	<u>Department Total</u>
Budgeted Amount	\$2,682,513.00	\$ 444,100.00	\$3,126,613.00
Estimated Cost	2,943,272.00	448,700.00	3,391,972.00
Balance (Deficit)	\$ (260,759.00)	\$ (4,600.00)	\$ (265,359.00)
Total Deficit	\$(2,872,578.00)	\$ (553,238.00)	\$(3,425,816.00)

Unless the legislature appropriates additional funds required or directs that the rates requested by the providers should be granted, the department does not intend to allow the level of increases as requested. We have developed rates allowing for an across the board increase of 12% (Attachment 2).

In the institutional care and foster care components, no increase beyond the 9% guideline was utilized during budget preparations.

There has not been a separate allowance made in the full cost formula for fringe benefits paid by providers to their employees. The department has historically considered any fringe benefit allowance as part of the salary costs. The providers have requested an increase of 3% over the current salary expenses to enable agencies to improve benefits such as medical/dental insurance, retirement plans, and/or other benefits currently not provided or provided at inadequate levels.

While the providers have requested a separate 3% increase for fringe benefits, the department is not recommending a departure from its established position of including fringe benefits in the salary increase allowance.

Costs as Recommended by Department

	<u>Division of Social Services</u>	<u>Division of Corrections</u>	<u>Department Total</u>
<u>Institutional Care</u>	(In-State)	(In-State)	
Budgeted Amount	\$4,281,300.00	\$2,001,675.00	\$6,282,975.00
Estimated Cost	6,763,305.00	2,506,991.00	9,374,398.00
Balance (Deficit)	(2,482,005.00)	( 505,316.00)	(2,987,321.00)

Foster Care

Budgeted Amount	\$2,682,513.00	\$ 444,100.00	\$3,126,613.00
Estimated Cost	2,943,272.00	448,700.00	3,391,972.00
Balance (Deficit)	\$ (260,759.00)	\$ (4,600.00)	\$ (265,359.00)
Total Deficit	\$(2,742,764.00)	\$ (509,916.00)	\$(3,252,680.00)

Foster Care rates were developed according to 7 AAC50.720(C) assuming a 9.874% change in the Consumer Price Index during FY 1980. Attachment 3 displays the rates for FY 1981.

Consistent with the information presented as a recommendation from the providers, the department projects additional funds would be required in the amount of \$3,425,816 for both institutions, group homes and foster homes as shown below:

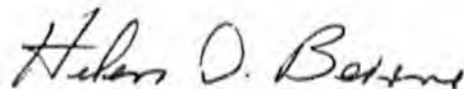
The department has recommended the 12% general increase, not allowing for an additional fringe benefit component. Additional funding required to comply with this recommendation is projected at \$2,987,321 in the institutional care component.

The foster care component as recommended would require an additional \$265,359.

Based upon data developed as the result of recent 1980 hearings, under 47.05.010 (14), the legislature is advised that sufficient provisions have not been made in the current budget request. Additional funds will be required in order to meet anticipated purchase of services at levels proposed either by the providers or the department as set forth in this report.

If such additional funds are not appropriated, the Department of Health and Social Services will not be in position to purchase services from any facility not licensed in FY 1980 and may have to refrain from purchasing services from some existing facilities.

Sincerely,



Helen D. Beirne  
Commissioner

Attachments

Fiscal 1981

FULL COST OF CARE FACILITIES  
CALCULATION OF RATES AND COST TO STATE  
FY 81

	Rates Per Child Care Day		FY 80 Annualized From 12/31/79 Report		FY 80 Projected Total (State Census/Total Expenses/Census Part-2	Salaries Fy80 x 12%	Fringe COLA x 3%	Other Exp. Fy80 x 12%	Total Expenses
	Fy-81 Projected Rate	Current Reimbursement	Salaries Reported x 2.5	Other Exp Reported x 2.5					
Alaska Childrens Services									
Aquarius House	23.85	85.72	76,917	51,347	128,264/11,516/11,545	86,147	2,574	57,509	146,240
Colletti House	37.95	56.12	78,632	52,193	130,825/11,646/11,655	88,353	2,642	48,456	149,456
Jesse Lee Home	145.29	100.43	1,036,150	537,437	11,573,637/111,994/12,262	11,160,530	34,318	601,929	11,797,317
Mary Johnson House	194.25	122.33	277,720	96,923	374,503/12,208/12,208	311,046	9,331	108,531	428,908
North Star Group Home	36.71	57.69	24,622	47,245	131,489/11,510/11,735	94,778	2,843	52,514	150,595
Emergency Shelters	138.25	99.51	427,190	219,470	645,819/12,342/12,342	478,453	14,354	245,750	738,557
Total ACS			11,607,122	11,000,845	12,865,577/124,440/124,440	2,219,552	66,572	1,125,054	3,411,178
Alaska Baptist Fam Svc Ctr	50.33	61.51	87,130	74,390	161,570/12,562/12,654	97,553	2,930	93,306	183,840
Alaska Youth Home	92.55	69.30	404,010	300,725	714,735/17,082/17,722	452,491	13,575	335,912	802,978
Booth Memorial Home	141.93	109.08	326,392	148,410	414,202/13,624/13,824	365,559	10,967	146,219	542,745
Covenant High School	39.95	19.52	130,157	159,158	299,315/151/18,510	135,976	4,709	173,257	319,942
Hilltop Home	80.33	59.70	227,150	237,895	465,045/15,018/15,919	218,898	7,464	266,442	522,714
Juneau Receiving Home	28.53	71.64	154,550	72,845	227,435/12,678/12,533	173,141	5,191	81,586	259,918
Kahal Penn. Comm. Care Ctr	80.69	64.79	135,380	104,940	240,320/13,332/13,392	151,626	4,549	117,533	273,708
Ketchikan Childrens Home	64.93	52.09	115,177	105,025	311,792/15,438/15,438	170,998	3,870	210,198	385,066
Kodiak Baptist Mission	36.21	24.02	84,815	154,948	239,763/16,620/17,494	94,593	2,850	172,523	271,381
Nome Receiving Home	145.93	83.55	95,022	63,248	153,270/11,158/11,158	106,425	3,193	70,836	180,455
N. Slopeboro Child Receiving Home	175.38	106.05	183,555	97,483	276,031/11,796/11,798	201,562	6,137	163,581	315,330
North Star Childrens Home	43.92	51.07	96,862	74,530	171,392/13,054/13,054	108,435	3,255	83,474	195,114
Presbyterian Hosp. Home	122.33	85.75	527,200	163,875	696,075/14,518/14,518	590,461	17,714	129,140	797,315
Sitka Receiving Home	56.07	45.31	76,677	71,295	47,962/1974/1974	23,873	896	23,829	54,613
Turning Point Boys Home	123.20	73.07	842,177	452,118	11,105,065/12,028/12,094	934,134	28,324	517,572	1,480,030
Totals			5,425,455	3,356,740	8,785,876/87,019/100,176	6,074,505	182,229	3,737,424	9,994,978

Attachment 1

Calculations on this chart are based upon information submitted by providers reflecting costs and number of placements for period July 1, 1979 through December 31, 1979, providing 12% salary increase, 12% other than salary expenses increase and 3% of salaries provided for improved fringe benefits (Medical insurance, retirement, etc).

Fiscal 1981

FULL COST OF CARE FACILITIES  
CALCULATION OF RATES AND COST TO STATE  
FY 81

	Rates Per Child Care Day		FY 80 Annualized From 12/31/79 Report FY 80 Projected				Salaries FY80 + 12%	Other Exp. FY80 x 12%	Total Expenses
	FY-81	Current	Salaries	Other Exp	Total	State Census/Tot.			
	Projected Rate	Reimbursement	Reported x 2.5	Reported x 2.5	Expense	Census Rpt x 2			
Alaska Childrens Services									
Aquarius House	87.27	85.72	76,917	51,367	128,284	1,645/1,645	86,147	57,509	143,656
Colletti House	86.39	56.12	78,632	52,193	130,825	1,695/1,695	88,068	58,456	146,524
Jesse Lee Home	142.57	100.43	1,036,250	537,437	1,573,687	11,964/12,362	1,160,600	601,929	1,762,529
Mary Johnson House	190.02	122.33	277,720	96,903	374,623	2,203/2,203	311,046	108,531	419,577
North Star Group Home	85.07	57.69	84,623	47,245	131,868	1,500/1,736	94,778	52,914	147,692
Emergency Shelters	135.56	99.51	427,190	219,420	646,610	5,342/5,342	478,453	245,750	724,203
Total ACS			1,981,332	1,004,545	2,985,877	24,406/24,990	2,219,092	1,125,089	3,344,181
Alaska Baptist Fam Svc Ctr	49.52	51.51	87,190	74,380	161,570	2,562/3,654	97,653	83,306	180,959
Alaska Youth Home	90.49	69.30	404,010	300,725	704,735	7,082/8,722	452,491	336,812	789,303
Booth Memorial Home	139.06	109.08	326,392	148,410	474,802	3,824/3,824	365,559	166,219	531,778
Covenant High School	39.39	19.52	140,157	159,158	299,315	151/8,510	156,976	178,257	335,233
Hilltop Home	87.06	59.70	227,150	237,895	465,045	5,918/5,918	248,703	266,442	515,250
Juneau Receiving Home	95.56	71.64	154,590	72,845	227,435	2,638/2,638	173,141	81,586	254,727
Kenai Penn. Comm. Care Ctr	79.35	64.79	135,380	104,940	240,320	3,392/3,392	151,626	117,533	269,159
Ketchikan Childrens Home	64.21	52.09	115,177	196,605	311,782	5,438/5,438	128,998	220,198	349,196
Kodiak Baptist Mission	25.83	24.02	84,815	154,948	239,763	6,680/7,494	94,993	173,538	268,531
Nome Receiving Home	153.07	83.56	95,022	63,248	158,270	1,158/1,158	106,425	70,838	177,263
N. Slope Boro. Child. Receiving Home	171.94	106.05	183,555	92,483	276,038	1,796/1,798	205,582	103,581	309,163
North Star Childrens Home	62.85	51.07	96,862	74,530	171,392	3,054/3,054	108,485	83,474	191,959
Presbyterian Hosp. Home	119.60	85.75	527,200	168,875	696,075	6,518/6,518	590,464	189,140	779,604
Sitka Receiving Home	55.15	45.31	26,677	21,265	47,942	974/974	29,878	23,839	53,717
Turning Point Boys Home	120.86	73.09	842,977	462,118	1,305,095	12,028/12,024	944,134	517,572	1,461,706
Totals			5,428,486	3,336,990	8,765,476	87,620/100,176	6,074,305	3,737,424	9,811,729

The foster care rates for FY 81 have been calculated in the following manner.

The Anchorage Consumer Price Index (CPI) as of January 1980 was 218.2. Annualizing the rate for the period of March 1979 through March of 1980, the Anchorage CPI is expected to be 221.6 in March. Placing the March CPI over the 1970 base year CPI results in a ratio of 1.9874:1.0. Multiplying the 1970 base year rates by this increase for each of the three age categories we arrive at the annual foster care rate for fiscal year 1981 for the Southeastern, Southern and the Southcentral Regions.

Age Group		Annual Rate	Month Rate	Daily Rate
4 & under	$\frac{221.6}{111.5} \times 1935 =$	\$3,846	\$321	\$10.54
5. thru 11	$\frac{221.6}{111.5} \times 2140 =$	\$4,253	\$355	\$11.66
12 & over	$\frac{221.6}{111.5} \times 2557 =$	\$5,082	\$424	\$13.93

In order to calculate the rate for the Northern, Northwestern and Western Regions a cost of living differential was calculated based on GGU range 14A salary as negotiated under the 1980 contract.

	<u>Pay Schedule</u>	<u>Percentage</u>		
Anchorage	\$1,850			
Fairbanks	2,132	1.1524		
Bethel	2,465	1.3324		
Kotzebue	2,556	1.3816		
<u>Fairbanks</u>				
<u>Age Group</u>			<u>Monthly</u>	<u>Daily</u>
4 & under	\$3,846 x 1.1524 =	\$4,432 =	\$ 369.00	\$12.14
5 thru 11	4,253 x 1.1524 =	4,901 =	408.00	13.42
12 & over	5,082 x 1.1524 =	5,856 =	488.00	16.04
<u>Bethel</u>				
4 & under	\$3,846 x 1.3324 =	\$5,124 =	\$ 427.00	\$14.03
5 thru 11	4,253 x 1.3324 =	5,665 =	472.00	15.52
12 & over	5,082 x 1.3324 =	6,771 =	564.00	18.55
<u>Kotzebue - Barrow</u>				
4 & under	\$3,846 x 1.3816 =	\$5,313 =	\$ 442.00	\$14.56
5 thru 11	4,253 x 1.3816 =	5,875 =	489.00	16.10
12 & over	5,082 x 1.3816 =	7,021 =	585.00	19.23

POSITION PAPER  
ON  
HOUSE BILL NO. 704

"An Act relating to the method of purchase of social services by the state; and providing for an effective date."

House Bill 704 substantially amends 47.40 Purchase of Services to enable the Department to contract for the delivery of institutional, foster home or residential care services. The present statutes (47.40.010) require the Department to "determine the rates of payment for the full cost of services required" and to "pay all expenses related directly to the full cost of services at the levels of care required." In addition, this bill would amend current statute to allow salary costs to be provided to qualified foster parents participating in the specialized foster care program. This additional level of foster care expands the options for placement of children in custody and serves as a cost-effective alternative to placement in institutional care. Specialized foster care will provide for care for a child in his/her own region, and if possible, close to his/her biological parents. We have attached a report marked Attachment A on the foster care program which explains this program in more detail.

On the surface the present statutory language seems to provide for a fair and equitable way to determine rates and to pay for the full cost of services rendered by the provider. However, the problem with Chapter 40, Purchase of Services is not in the enactment section (47.40.010) but in section (47.40.040) which outlines the method of determining the full cost of services. This section indicates that full cost of services shall be determined by the per person, per day cost in the preceding fiscal year plus a proportionate share of anticipated cost of living and staff salary increment increases for the fiscal year for which the full cost of services, determined to be necessary by the Department, is being determined. This formula for determination of rates does not consider the occupancy factor for the various facilities. For example, if a group home opens in a given community and asks for a license for a 10 bed facility the Department must by law license them if they meet the requirements even if the Department cannot fully utilize the 10 beds. However, under the formula if the Department utilizes 5 beds in the first fiscal year the next year's rates must include the costs for all 10 beds. Therefore the per person, per day cost is significantly higher due to the vacancy factor.

If House Bill 704 were enacted, it would enable the Department to negotiate contracts for a specific number of beds for the types of services needed by the Department. This process would not only make an impact on the rate of care but would enable the Department to control the number of beds available at each level of care. Presently, the Department's only alternatives are to pay for the empty beds or to stop utilizing a facility completely. Contracting for services would result in a more reasonable and cost effective method of handling the problem of vacancy rates.

The Department would adopt regulations describing the contracting procedures. As part of the process of promulgating regulations, the Department plans to have public hearings in at least Anchorage, Fairbanks, and Juneau to explain the proposed regulations and solicit comments for improvements. Providers in other areas of the state would be able to receive copies of the proposed regulations and comment by mail. The Department would take these comments under advisement in finalizing the regulations.

The Department anticipates going to a request for proposals procedure for the purchase of these services if House Bill 704 is passed. To accomplish this the Department plans to describe the type of services they wish to purchase in a fiscal year and the approximate number of placements anticipated at each level of care. These requirements would be made known to existing child-care agencies and any other individual or group who may want to develop one or more services the Department wishes to purchase. Proposals would come to the Department for review with contracts subsequently being negotiated for the required services. We hope to create a truly competitive atmosphere in which to negotiate for the purchase of services. Contracting should serve to provide adequate incentives to contain expenditures at reasonable levels.

The Department supports the modification of the full cost of care statutes to permit purchase of care through contracting and through a specialized foster care program. The Bill would give the Department maximum flexibility in purchasing adequate services for children under the state's care at the lowest possible cost.

APPROVED BY: Helen D. Beirne DATE: 4-8-80  
Helen D. Beirne, Commissioner  
Department of Health and Social Services

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill 704

Title Purchase of Social Services by the State

Requested by House HESS

Date April 3, 1980

II. FISCAL DETAIL

Agency Affected Department of Health and Social Seviles

Program Category Affected Administration of Justice & Social Services

BRU, Program, or Subprogram(s) Affected Youth Services (Div. of Corr.) & Program Services

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.) (Division of Social Services)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-0-	-0-	-0-	-0-	

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND		-0-	-0-	-0-	-0-	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME		1	1	1	1	
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

A. Assumptions:

Program costs will continue to rise due to inflationary pressures. The existing statute covering the purchase of institutional juvenile care is significantly vague as to what is "full cost," and contains no incentive for efficient management practices by the providers of service. Through a statutory change, it is assumed that the individual contracts negotiated will be very specific regarding budget line items for which the Department will pay. Through this mechanism, it is envisioned that, through contracting for institutional juvenile care, the Department will be able to slow the exponential growth of program costs.

A highly qualified contract negotiator position is necessary to take on this activity. The incumbent will be responsible for negotiating all of the necessary contracts with child care provider agencies, develop annual departmental budget projections for private institutional child care services, develop and recommend

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

Prepared by: Roger C. Lange Date: April 3, 1980  
Division/Office: Corrections PH: 465-3376  
Department of Health & Social Services

33-001 (Rev. 12/79)  
Modify by DHSS (11-28-79)

Approval DHS Mgt. & Bdgt: \_\_\_\_\_ Date: \_\_\_\_\_

regulations to implement the statutory changes, act as liaison between the provider agencies and the department, etc. A Senior Negotiator is recommended (range 21) at an estimated annual cost of \$47,000:

Personnel Services	\$39,600
Travel	3,000
Contractual	3,000
Commodities	400
Equipment	1,000

It is assumed there will be a cost savings achieved through the proposed legislative action. The Department of Health & Social Services would be able to contract for the specific number of private institutional beds considered necessary to meet the Departmental needs for these services. Over the past several years the private child care agencies have, collectively, been operating at 70% to 75% of licensed capacity. The methodology given in AS 47.40.040 for rate computation allows for reimbursement of the vacant beds by dividing actual costs for a fiscal year by the bed utilization during the same period. The contracting option will permit the Department to limit the number of beds to a more satisfactory ratio of full to empty beds resulting in a cost savings. The magnitude of the savings is impossible to estimate at this time although it should exceed the costs related to the contract negotiator position requested (\$47,000).

Another advantage for the Department will be the ability to request the type of program(s) needed rather than having to take the program(s) offered by the provider. Through the contract procedures, the Request for Proposal can clearly delineate what services the Department wishes to purchase in the various geographical areas of the state.

Both the Division of Corrections and the Division of Social Services have instituted revised procedures to assure that juveniles are placed in appropriate programs at the lowest level of care necessary to meet the needs of the child. This has resulted in a reduced need for private institutional care for juveniles placed by the Department. This program change, however, makes it extremely hard to forecast the savings potential with the enactment of this legislation.

B. Estimated Savings:

Since the economy of the nation is in a period of spiralling inflation, the major savings resultant from this bill will be to curb the quantum jumps in the department's annual budget request for institutional child care services. There are a number of inter-relating variables (case load size, individuals specific program need, geographical area of placement, etc.). Without experience in contracting or knowing the value of the variables, the Department cannot estimate an estimated savings. However, by contracting for a number of beds more reasonable to the actual caseload enactment of this legislation would have the effect of slowing down the exponential growth of the expenditures for institutional child care services.

REPORT  
ON  
SPECIALIZED FOSTER CARE

The original plan for FY80 was to recruit, train, and use for placement, 20 specialized foster homes, by September 1, 1979. Since a statutory amendment is necessary in order to include salary costs for specialized foster homes, the placement phase of this program has not been implemented.

The initial recruitment phase was completed, and between September 1, 1979 and March 1, 1980, a specific training program was developed for specialized foster care and twenty-two parents have completed the training program. Another training session scheduled for June, 1980 will prepare 20 additional parents for specialized foster care providing enough homes to allow for the "best possible placement" for every child.

Specialized foster parents (one parent in a home will be identified as the specialized parent) will receive a salary of \$700/month, which will be in addition to the foster home maintenance rate. The average FY 1980 average institutional group home cost rate is \$60/day. The daily cost of specialized foster care would be \$35/day, (including both salary and foster home maintenance).

Requirements of Specialized Foster Parents

- 1) One parent must not work outside of the home in order to be available to provide appropriate intensive specialized care to the child.
- 2) The parent who will not work outside of the home must have five years experience in working with children. This experience can include:
  - a) experience as a foster parent
  - b) experience as a social worker
  - c) experience in a child oriented work setting.

(Experience as a biological parent of an adolescent may be counted for one year of experience. A Bachelor's degree with specific course work in counseling, clinical psychology, or child development, or a graduate degree in social work or a related field may be counted for two years of required experience).

- 3) Specialized foster parents must also have:
  - a) the ability to work with children in a therapeutic way.
  - b) the ability to work with the biological parent of a child in a therapeutic way.
  - c) the ability to accept and work with a child with emotional and behavioral problems.

- d) the ability to work with an older child
- e) the ability to accept a child who has been raised in a different philosophical environment.
- f) a stable family life.
- g) must meet all of requirements for regular foster home licensing
- h) may have to provide additional references beyond the number required for regular foster home licensing.

Criteria for Selection of Children:

- 1) The child should be one, who without this program, would require institutional or group home placement due to emotional or behavioral problems.
- 2) The child should be within the age range of 8-18 years.
- 3) The child, with intensive supervision, should be able to function and have his/her needs met in a community setting.

					<u>CONT \$</u>	<u>ADDITION</u>	<u>FOR BGM USE</u>
<u>FY 80 Est.</u>							
In-State	162,060	444	1,993,338.00	12.30			
Out-of-State	<u>6,935</u>	<u>19</u>	<u>48,055.55</u>	<u>6.93</u>			
Subtotal	168,995	463	2,041,393.55	12.09			
Specialized Foster Care *for 6 mos.	<u>3,650*</u>	<u>20</u>	<u>120,000.00</u>	<u>32.87</u>			
Total	172,645	483	\$2,161,393.55	12.52			
<p>Estimates for FY 81 include a 14% COLA increase and an additional 10 children in specialized foster care from institutional care:</p>							
<u>FY 81</u>							
In-State	162,060	444	\$2,272,081.20	14.02			
Out-of-State	<u>6,935</u>	<u>19</u>	<u>54,786.50</u>	<u>7.90</u>			
Subtotal	168,995	463	\$2,326,867.70	13.77			
Specialized Foster Care	<u>10,950</u>	<u>30</u>	<u>410,400.00</u>	<u>37.48</u>			
Total	159,945	493	\$2,737,273.70	17.11	2,737.3		
<p>The request for FY 81 will, of course, be revised in the Department's report to the legislature following the full-cost-of-care rate hearings.</p>							

AGENCY Department of Health & Social Services PROGRAM AREA General Population

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COMPONENT Foster Care

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**23** 18 **CONTINUED**

**FY 81**  
**000477**

					<u>CONT S</u>	<u>ADDITION</u>	<u>FOR SGM USE</u>
<u>FY 81</u>							
In-State	53,290	146	4,281,318.60	80.34			
Out-of-State	<u>11,515</u>	<u>31*</u>	<u>673,695.10</u>	<u>59.54</u>			
Subtotal	64,605	177	\$4,955,013.70	76.70			
*To Specialized Foster Care	<u>(5,650)</u>	<u>(10)*</u>	<u>(217,321.00)</u>	<u>(59.54)</u>			
Total	60,955	167	\$4,737,692.70	\$77.72	4,737.7		
<p>The FY 81 request will, of course, be revised in the Department's report to the legislature following the full-cost-of-care rate hearings.</p>							

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FY 81

**23** 18 **CONTINUED**

**000495**

REVISED DATE \_\_\_\_\_