

State of Colorado
Department of Human Services
Office of Children, Youth & Families

Child Welfare Services Salary Survey &
Actuarial Analysis

Rate Proposal
Public Consulting Group, Inc.

March 27, 2018

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TABLE OF CONTENTS

| | |
|---|----|
| 1. Executive Summary..... | 3 |
| Overview..... | 3 |
| Methodology..... | 3 |
| Actuarial Analysis..... | 3 |
| Stakeholder Engagement..... | 4 |
| Rate Calculations..... | 4 |
| Fiscal Impact..... | 5 |
| 2. Methodology..... | 6 |
| Goals for the Project..... | 6 |
| Approach..... | 6 |
| Data Collection..... | 6 |
| Quality Assurance..... | 9 |
| Rate Development..... | 10 |
| Foster Family Rates (CPA, Child Maintenance)..... | 12 |
| 3. Actuarial Analysis..... | 16 |
| 4. Stakeholder Engagement..... | 17 |
| 5. Rate Calculations..... | 18 |
| 6. Recommendations..... | 20 |
| Rate Recommendations..... | 20 |
| Programmatic Recommendations..... | 21 |
| 7. Fiscal Impact..... | 22 |
| Current Costs..... | 22 |
| Proposed Costs..... | 22 |
| Acknowledgments..... | 24 |

1. EXECUTIVE SUMMARY

OVERVIEW

The Colorado Department of Human Services (CDHS), Office of Children, Youth & Families, Division of Child Welfare oversees the state supervised and county administered child welfare system. On June 6, 2017, House Bill 17-1292 was signed into law, requiring CDHS to partner with a vendor to conduct a salary survey, perform actuarial analysis, and develop a rate-setting methodology for licensed out-of-home provider compensation.¹ Public Consulting Group, Inc. (PCG), with subcontractor Lewis and Ellis (L&E) was selected as the vendor for this engagement. This executive summary condenses the following components of the process that are explained in further detail in the report: methodology, actuarial analysis, stakeholder engagement, rate calculations, and fiscal impact. This report also includes additional findings and recommendations as well as an appendix containing the following information: HB 17-1292 compliance crosswalk, responses to stakeholder feedback, salary analysis, and all of the actual model budget calculations. The calculated rates have an anticipated implementation period of July 1, 2018.² The figure below maps out the project timeline and milestones.

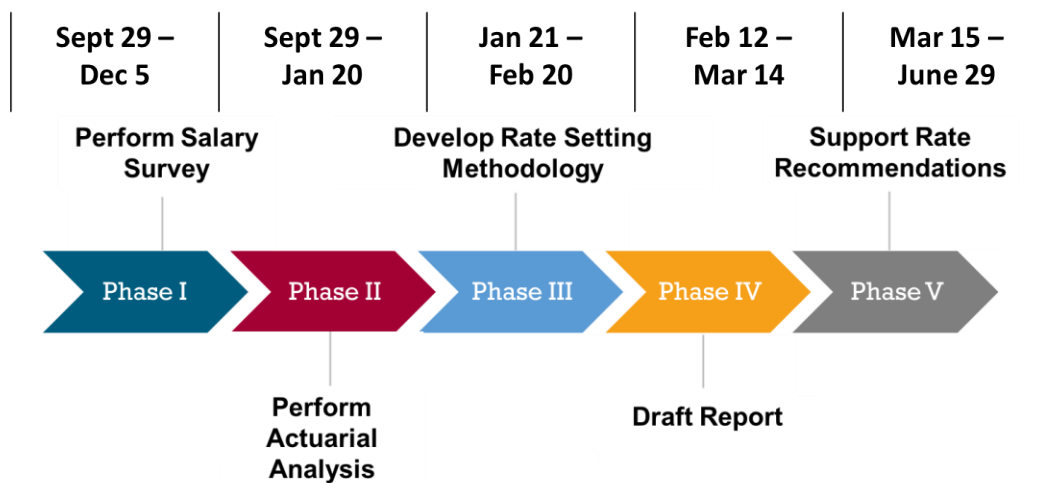


FIGURE 1. PROJECT TIMELINE

METHODOLOGY

PCG/L&E collected data and calculated rates for the following services based on CDHS and stakeholder feedback: Residential Child Care Facility (RCCF); Child Placement Agency (CPA); Group Home (GH); Group Center Care (GCC); and Foster Family Rates. Based on the requirements of HB 17-1292, PCG/L&E collected salary and cost data from all available statewide service providers, counties and stakeholders. The project team created survey tools to collect data from state fiscal year 2016 (SFY16, July 1, 2015 to June 30, 2016). The team also collected and reviewed market salaries to incorporate into the analysis.

After the data collection process, PCG/L&E assessed several rate calculation methodologies. A model budget rate calculation process was ultimately adopted to correct the data discrepancies and inconsistencies. These issues with the data were inevitably present where stakeholders were completing a survey for the first time and there was only six months to produce this final report. The model budget methodology still calculates service rates similar to a blended methodology by dividing eligible expenses by units. However, the main benefit of the model budget approach is its ability to display and adjust the data inputs, which can address issues with salaries, FTEs, operating expenses, utilization and inflation. Each service rate calculation model used different inputs based on survey data, stakeholder input and CDHS guidance.

ACTUARIAL ANALYSIS

¹ Colorado's House Bill 17-1292, Concerning Child Welfare Licensed Out-of-Home Placement Provider Rates, and, in Connection therewith, Making an Appropriation effective June 6, 2017. HB 17-1292 is available at: https://leg.colorado.gov/sites/default/files/documents/2017A/bills/2017a_1292_signed.pdf.

² Please note that all calculations were completed in Excel, which rounds at 15 significant digits, though figures presented in in this report are rounded to the nearest cent (\$0.01 or second digit) or in some cases whole numbers. This may result in marginal differences for any calculations redone manually using figures presented.

As HB 17-1292 states, the PCG/L&E team was required to perform an actuarial analysis of the costs necessary to provide required child welfare services, including salary comparisons between licensed out-of-home placement provider categories and overhead and administrative costs. The PCG/L&E team was then statutorily mandated to determine the extent to which the salary survey should inform the actuarial analysis. PCG/L&E used the data provided by CDHS and the provider and county stakeholders to begin the actuarial analysis. Where adequate data was not available, publicly available industry and state-specific data were used.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement was a critical aspect of this process. One of the primary goals of this project was to create a transparent and open environment for CDHS, providers, and counties to discuss the rate-setting process. Given the quick speed of this project, it was even more critical to involve stakeholders throughout each step. To address this goal, PCG/L&E and CDHS conducted 12 onsite engagement sessions. County and provider workgroups met on separate days but received the same presentation. PCG/L&E also conducted several additional ad-hoc calls and webinars with various stakeholders to improve the accuracy and adequacy of the rate calculation methodology (including leaders from Colorado Association of Family and Children's Agencies CAFCA, Fostering Colorado, and counties). In addition, PCG/L&E and CDHS participated in biweekly status meetings throughout the engagement. Feedback from each session was documented and shared with CDHS. As mentioned above, feedback from stakeholders directly affected the rate development process.

RATE CALCULATIONS

PCG/L&E calculated at least two rate variations for child placing agencies, group homes, group centers, and residential child care facilities. Specifically, each service includes a rate baseline and a market rate. The baseline rates use the average reported staff salaries from the surveys. Market rates include the average salaries gathered for comparable positions by the Bureau of Labor Statistics (BLS). The numerous rate calculations were developed based on feedback received during the stakeholder sessions. The following summarizes the rate calculations:

TABLE 1: CALCULATED RATES FOR STATE FISCAL YEAR (SFY) 2019 BY SERVICE

| <i>Rate Type</i> | <i>Service Rate Type</i> | <i>Rate Detail</i> | <i>Calculated Rate</i> |
|--|--------------------------|---|------------------------|
| Child Placement Agency | CPA Baseline | Survey Salaries, 15:1 Case Manager to Child | \$45.53 |
| | CPA Market | BLS Salaries, 15:1 Case Manager to Child | \$56.86 |
| | CPA Market 20:1 | BLS Salaries, 20:1 Case Manager to Child | \$42.65 |
| Group Home | GH Baseline | Survey Salaries, 2 House Parents | \$136.12 |
| | GH Market | BLS Salaries, 2 House Parents | \$164.06 |
| Group Center Care | GCC Baseline | Survey Salaries, 6:1 Direct Care to Child | \$169.46 |
| | GCC Market | BLS Salaries, 6:1 Direct Care to Child | \$234.43 |
| Residential Child Care Facility | RCCF Baseline | Survey Salaries, 5:1 Direct Care to Child and 12:1 Overnight | \$250.07 |
| | RCCF Market | BLS Salaries, 5:1 Direct Care to Child and 12:1 Overnight | \$297.11 |
| | RCCF DYS/BLS | BLS/DYS Salaries, 5:1 Direct Care to Child and 12:1 Overnight | \$298.00 |
| | RCCF IDD Baseline | Survey Salaries, 2:1 Direct Care to Child and 4:1 Overnight | \$620.36 |
| | RCCF IDD Market | BLS Salaries, 2:1 Direct Care to Child and 4:1 Overnight | \$742.02 |
| | RCCF IDD DYS/BLS | DYS Salaries, 2:1 Direct Care to Child and 4:1 Overnight | \$744.32 |

TABLE 2: CALCULATED FOSTER FAMILY RATES FOR STATE FISCAL YEAR (SFY) 2019 BY SERVICE

| <i>Rate Type</i> | <i>Service Rate Type</i> | <i>Rate Detail</i> | <i>Calculated Rate</i> |
|----------------------------|--------------------------|--|------------------------|
| Foster Family Rates | Ages 0-2 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$32.55 |
| | Ages 3-5 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$32.86 |
| | Ages 6-8 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$35.79 |
| | Ages 9-11 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$38.19 |
| | Ages 12-14 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$39.37 |
| | Ages 15+ | USDA Child Costs for Housing, Food, Transportation, Clothing | \$39.39 |

TABLE 3: CALCULATED RATE DETAIL ABBREVIATIONS LEGEND

| Rate Detail Abbreviation | Full Form |
|--------------------------|--|
| IDD | Intellectual and Development Disabilities |
| DYS | Colorado Department of Youth Services (used for salary benchmarks for child welfare rates and not for DYS rates) |
| USDA | United States Department of Agriculture |

FISCAL IMPACT

All the proposed costs, for the purpose of calculating the fiscal impact, were based on market-level rates based on CO BLS salaries. No IDD rates were considered in the proposed costs, based on stakeholder feedback that no programs can currently support IDD services. The PCG/L&E team assumed the same number of children and average daily placements for SFY2019 as observed in SFY2017. It is important to note that the total costs will differ as the number of children and daily placements change for FY2019.

The current and proposed total costs were used to calculate a percentage fiscal impact. Because this methodology compares SFY2017 costs to SFY2019 costs, the PCG/L&E team removed the SFY2018 rate increase of 1.40% that was applied to the anchor rates on July 1, 2017 to estimate the SFY2018/SFY2019 fiscal impact of \$51,993,182, a 68.18 percent increase from SFY2018's \$77,328,986³ costs. The fiscal impact calculations are shown below

TABLE 4. FISCAL IMPACT

| | CPA, Admin | Group Home | Group Center | RCCF | Foster Families |
|--|---------------------------|--------------------|--------------------|---------------------|----------------------|
| FY2017 Daily Rate | \$28.94 | \$110.19 | \$133.65 | \$194.30 | \$28.05 |
| FY2019 Calculated Market Daily Rate | \$56.86 | \$164.06 | \$234.43 | \$292.50 | \$57.64 ⁴ |
| FY2017 Actual Costs | \$13,066,555 | \$4,523,268 | \$8,233,976 | \$38,506,320 | \$11,931,209 |
| FY2019 Costs with Market Rates | \$25,672,574 | \$6,706,773 | \$14,460,815 | \$57,972,038 | \$24,509,969 |
| Initial Fiscal Impact | 96.48% | 48.27% | 75.62% | 50.55% | 105.43% |
| FY2017/FY2018 Rate Increase | 1.40% | 1.40% | 1.40% | 1.40% | 1.40% |
| Fiscal Impact % | 95.08%⁵ | 46.87% | 74.22% | 49.15% | 104.03% |
| Fiscal Impact \$ | \$12,606,020 | \$2,183,505 | \$6,226,839 | \$19,465,718 | \$12,578,760 |

While the fiscal impact of these changes appears considerable, it is important to note that the estimates above assume the same utilization and distribution of children among the various placement settings as today. However, the rates were developed with certain program goals in mind. For example, the RCCF rate is intended to provide an intense level of service for a limited time. Similarly, the foster family rates are intended to better support foster families and the children in their care. The hope is that Colorado will be able to recruit and retain more foster families, and adequately support children in their care, so that provider-based out of home settings are used more sparingly and more in line with their intended therapeutic purpose. Changes in utilization could significantly mitigate the rate increases.

³ \$76,261,328 SFY2017 Costs * 1.014 SFY2018 rate increase.

⁴ \$36.36 + \$21.28 = \$57.64 (\$36.36 is the average foster/kinship rate from TRAILS and \$21.28 represents additional supervision required by foster families). The FY2019 Calculated Market Daily Rate, and therefore the fiscal impact, do no account for foster family childcare costs. It is recommended that childcare be reimbursed on an actual expense basis, separate from the daily rate.

⁵ \$56.86 / \$28.94 - 1 = 96.48%; 96.48% - 1.4% = 95.08%

2. METHODOLOGY

GOALS FOR THE PROJECT

- Develop rates that adequately support the needs of children and youth in out-of-home care settings, consistent with program goals, state statute, departmental rules, and federal rules and regulations; and
- Perform a salary survey related to the delivery of child welfare services to inform the rate development process.

APPROACH

PCG/L&E assessed several rate calculation methodologies during the course of the project. A model budget rate calculation process was ultimately adopted to control for data issues and to drive the rate methodology from more standardized direct care staffing ratios rather than simply incorporating current staffing levels into the rates. The model budget methodology calculates service rates similar to a blended methodology by dividing eligible expenses by units. However, the main benefit of the model budget approach is its ability to display and adjust the data inputs, which can address issues with salaries, FTEs, operating expenses, utilization and inflation. The model budgets contain unique inputs for each service but all use the following main inputs:

- *Program Staff and related Tax and Fringe*
- *Coverage Factor*: A factor to provide coverage and relief staff to account for the non-working hours of case managers (CPAs) and direct care staff (GH, GCC, and RCCF).
- *Operating Expenses*: This does not include expenses that are directly reimbursed by federal subsidies or that would be unallowable under the current service contract(s).
- *Inflation*: An inflation factor was included based on the Western Region's Consumer Price Index (CPI) to adjust the rates based on expected inflation between the state fiscal year (SFY) 2016 (July 1, 2015 to June 30, 2016) data reporting period and its anticipated SFY19 implementation.

Each service rate calculation model used different inputs based on cost survey data, provider and county input and CDHS guidance. PCG/L&E collected data and calculated rates for the following services⁶:

- *Residential Child Care Facility (RCCF)*: provides 24-hour residential group care and treatment for five (5) or more children between the ages of three (3) and eighteen (18) years old and for those persons to twenty-one (21) years old who are placed by court order. Stakeholders agreed this is intended to be an intensive level of service.
- *Child Placement Agency (CPA)*: corporation, partnership, association, firm, agency, institution, or person unrelated to the child being placed, who places, who facilitates placement for a fee, or arranges for placement any child under the age of eighteen (18) years with any family, person or institution for purposes of foster care, treatment and/or adoption.
 - *Group Home (GH)*: House owned or otherwise controlled by the group home parents.
 - *Group Center Care (GCC)*: House owned or controlled by a governing body that hires the group center parents or responsible personnel.
- *Foster Family Rates*: Rates paid to foster families from Child Placing Agencies.

DATA COLLECTION

The final rate models and recommendations are built using four different data sources: SFY16 provider and county surveys, Bureau of Labor Statistic (BLS) salary reports, Colorado Department of Youth Services (DYS) staffing data, and Consumer Price Index (CPI) inflation data. Please refer to the above section for the CPI information and the sections below for the remaining sources. PCG/L&E put together a comprehensive salary analysis using survey results, BLS salaries, and DYS salaries; these tables can be found in the Appendix.

⁶ Definitions taken from: <https://www.colorado.gov/pacific/cdhs/child-welfare-placement-services>.

Survey Tools and Process

The project team developed two surveys: a cost survey and a personnel roster survey. Surveys were developed by PCG/L&E and reviewed by CDHS and provider and county stakeholders prior to distribution. Providers were asked to submit both a personnel and cost survey and counties just the personnel. The survey period ran between November 14th, 2017 and December 8th, 2017. PCG/L&E provided phone and email assistance during the survey process, and instructions were provided for both surveys. A breakdown of the data collected in each is below.

Backup Documentation

The project team asked that agencies submit backup documentation to validate their survey information. = Acceptable sources were any documentation that was utilized in order to fill out both surveys. Examples include audited financial statements that tie to the survey, general ledger extracts, reports from payroll and/or finance departments and other program-specific reports or comparable documentation.

Personnel Survey

Counties and providers were both expected to complete a personnel roster survey. All employees and subcontractors that were paid by the program during SFY2016 (July 1, 2015, to June 30, 2016) were to be included in the personnel roster with the caveat that only personnel involved in the provision of the foster care programs were to be included in the surveys. For counties, this included certification (licensing) workers, program (case) managers, and supervisors that support the foster care programs. The survey collected all salary, fringe and other personnel information at the most granular level. Providers and counties were expected to complete one survey submission per SS23-A type, per program.

Survey Questions

- Contact/Program Information
 - Provider/County Name, IRS Tax Status, SS-23A Service Type (CPA/GH/GCC/RCCF)
- Fields for each listed employee:
 - Name or ID
 - Employee or Subcontractor
 - Official Title
 - Primary Profession (see Appendix for detailed list)
 - Secondary Profession
 - Years of Experience
 - Years of Industry Experience
 - Start Date
 - End Date
 - Highest Education Obtained
 - Certifications and Licensures
 - Number of Hours Worked Annually
 - Total Annual Salary
 - Total Fringe Benefits Paid
 - Percent Time Allocated to Program Services

Cost Survey

The cost survey was only collected from providers. The goal was to capture all service, revenue and expense information associated with the program.

Survey Questions

- **Contact/Provider Information:** Captured contact information for the program and basic program information.
 - Provider/County Name, IRS Tax Status, SS-23A Service Type (CPA/GH/GCC/RCCF), License/Contract Number
 - Contact Name, Contact Position, Contact Email, Contact Phone
 - Date Program Opened, Months the Program Operated in SFY16, Number of Sites Included
- **Services:** Captured the services delivered in SFY2016.
 - Days of Care Provided
 - Days of Care Available
 - Total Kids Served
 - Staff:Child Ratio (Day)
 - Staff:Child Ratio (Night)
 - School onsite
 - Staff:Child Ratio (if School Onsite)
 - Ages Served
 - Gender Served
 - Services Provided
 - Specialty Populations
- **Revenue:** Captured all revenue received in SFY2016.
 - Revenue from County/CDHS
 - Revenue from Other State Agency
 - Medicaid
 - Fundraising and Development
 - Other Revenue
- **Personnel:** Captured caseload (CPAs only), FTE, time off and expense associated with program personnel.
 - Personnel Caseloads
 - Recommended Caseload (for Case Managers at CPAs Only)
 - Average Caseload (Actual for Case Managers at CPAs Only)
 - Personnel Time Off
 - Holidays
 - Vacation Days
 - Sick Days
 - Personnel FTEs
 - Employee FTEs
 - Employee FTEs Vacant
 - Personnel Salaries, Taxes and Fringe Benefits
 - Employee Salaries
 - Personnel Taxes
 - Worker's Compensation
 - Healthcare
 - Retirement
 - Other Fringe Benefits
- **Other Expenses:** Captured all other expenses incurred by the program.
 - Program Subcontractor
 - Foster Parent Payments
 - Food
 - Mileage
 - Vehicle Expense
 - Occupancy/Facility
 - Supplies
 - Client Incidentals
 - Equipment
 - Insurance

- Translation/Interpretation Services
- Foster Parent Recruitment Advertising
- Other Advertising
- Licensing
- Fundraising and Development
- Audit-Related Expenses
- Training Expenses
- Bad Debt
- Indirect (from Parent Organization)
- Lobbying

QUALITY ASSURANCE

After submissions were collected, PCG/L&E reviewed and scrutinized every survey submission to validate the results. This was done through a documented quality assurance (QA) process. The QA process focused on identifying and correcting data discrepancies that would call into question the validity of the survey data. Flagged results were addressed with providers directly. The quality assurance process did not function as an audit. PCG/L&E could not identify and correct every potential error in every submission.

The QA process had two main steps. Before aggregated submitted data, PCG/L&E went through each submission with a QA checklist which identified the following list below. This process was completed for each personnel and cost survey submitted.

- Incomplete personnel roster survey information
- Incomplete cost survey information
- Unreasonable figures or results
- Alignment between personnel roster surveys and cost surveys
- Backup documentation that supports the surveys

PCG/L&E emailed each contact listed in the survey with any reported flags. The response deadline was January 26th. The next step was to aggregate the data sets and perform an initial personnel and expense analysis. Based on the response, PCG/L&E retained, modified or discarded survey data based on the quality assurance process. PCG/L&E worked to keep as many surveys in the final data set as possible. Once the final data set was created, PCG/L&E continued to test for salary and expense outliers. With guidance of PCG/L&E and approval from CDHS, a number of staff were removed because of categorical outlier (e.g. below CO SFY16 minimum wage). The final submission numbers are reflected below.

TABLE 5: FINAL SURVEY SUBMISSIONS

| Organization | Total Submissions |
|--------------|-------------------|
| County | 13 |
| Provider | 37 |
| Total | 50 |

TABLE 6: SURVEYS INCLUDED IN FINAL DATASET

| Service Type | Total Surveys |
|--------------|---------------|
| CPA | 12 |
| RCCF* | 4 |
| Group Home | 1 |
| Total | 17 |

*CDHS and all stakeholders agreed to base the RCCF rates on a representative sample of: Third Way Center, Devereux, Southern Peaks, and Jefferson Hills.

The final sample of surveys included in the rate development is a small proportion to the total submissions. This decision was made primarily because of the quick turnaround from data collection, quality assurance and deadlines for the rate calculations. PCG/L&E worked very closely with CDHS and stakeholders to communicate this and clear the methodology with all parties. Stakeholder feedback greatly mitigated portions of the development where survey data lacked. In addition, PCG/L&E looked at national benchmarks and market salaries to ensure the models covered the requirements of HB 17-1292.

Bureau of Labor Statistics

Market rates include salaries from the 2016 Bureau of Labor Statistics Colorado Occupational Employment and Wage Estimates. The occupational employment and wage estimates are calculated with data collected from employers in all industry sectors in metropolitan and nonmetropolitan areas in Colorado⁷. Comparable occupations were taken from the Community and Social Service Occupations⁸ and the annual mean wage was applied to the models.

Department of Youth Services

In addition to the BLS market salaries, PCG/L&E was asked by provider stakeholders to compare RCCF staff salaries to CO DYS staff salaries. PCG/L&E reviewed the FY18 DYS JBC Budget Briefing, which included salary proposals for Youth Social Services II/III and the current DYS Job Opportunities to obtain DYS salary comparison data. PCG would like to note that this data was requested by provider stakeholders to see a straight salary comparison. It is not a rate for DYS, this option serves as a child welfare RCCF rate only.

RATE DEVELOPMENT

The following section walks through the model budget development process. The final calculation divides total costs by total enrollment days to get to a cost per day.

| Model Budget Calculation Example | | | | |
|---|----|--------------------------------|-------------|---------------------|
| Capacity: | ## | Enrollment Days: | | |
| | | Salary, Unit or % | FTE | Expense |
| Program Personnel Salaries | | | | |
| Program Director | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Supervisors | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Case Manager | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Licensing Staff | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Placement Coordinator | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Other Clinical Staff | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Executive | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Administrative | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Coverage | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Total Program Staff | | \$\$\$ | ##.# | \$\$,\$\$\$ |
| Tax and Fringe | | % of Total Program Staff | | |
| Total Program Personnel | | | | \$\$,\$\$\$ |
| Other Operating Expenses | | | | |
| Other Overhead Expenses | | \$ Per Unit/FTE | | \$\$,\$\$\$ |
| Total Program Operating Expenses | | | | \$\$,\$\$\$ |
| TOTAL | | | | \$\$,\$\$\$ |
| RATE WITHOUT CAF: | | | | \$\$, \$\$ |
| TOTAL WITH CAF: | | % Cost Adjustment Factor (CAF) | | \$\$, \$\$\$ |
| RATE WITH CAF: | | | | \$\$, \$\$ |

FIGURE 2. MODEL BUDGET CALCULATION EXAMPLE

⁷ BLS, May 2016 Colorado Occupational Employment and Wage Estimates: (https://www.bls.gov/oes/current/oes_co.htm#21-0000)

⁸ Occupation Code: 21-0000

The calculation steps below are completed to arrive at a rate for each service. Please review the Rate Calculation and Appendix sections for additional information on the model budget rate calculations.

1. Calculate Enrollment Days Based on Capacity

- Enrollment days are equivalent to total possible annual days of care. This number becomes the denominator.
- Calculation(s):
 - Enrollment Days = Capacity x 365

2. Add Direct Care/Case Management and Other Personnel

- Depending on the rate type, the Case Manager or Direct Care Staff provide a baseline for the staffing models based on the direct care staff to client ratio. The remaining FTEs were calculated proportionally, based off survey results and stakeholder feedback. Salaries were based on the averages reported in the surveys for baseline calculations or market salary benchmarks described later.
- Calculation(s):
 - Personnel Salary x FTEs = Personnel Expense by Position
 - *Note:* This calculation is performed for each direct care position listed in the model that is associated with the service. The sum of all positions is the Total Program Staff cost.

3. Add Tax and Fringe

- Tax and fringe rates were based off the average reported in survey data for each service type.
- Calculation(s):
 - Tax and Fringe Rate x Total Program Staff Expenses = Tax and Fringe Expense
 - Total Program Staff + Tax and Fringe Expense = Total Program Personnel Expenses

4. Add Other Operating Expenses

- Each rate type included other operating expenses. These expenses were reported by providers and were added into the different models using either the days of care provided (unit) or FTEs.
- An FTE or Unit Cost ultimately effects the model in the same way.
 - Unit Costs incorporate the costs into the model based on the days of care served.
 - FTE Costs apply the costs to the model in proportion to the personnel FTEs to ensure costs shared with other programs (e.g. Medicaid, Title IV-E) are properly allocated.
- Calculation(s):
 - Other Operating Expenses x Enrollment Days = Other Operating Expenses
 - Occupancy Expenses x Reported FTEs = Other Operating Expenses

TABLE 7. OTHER OPERATING EXPENSES COST DISPOSITION

| Line Item | CPA Model Disposition | RCCF Model Disposition | GH Model Disposition | GCC Model Disposition |
|-------------------------------------|-----------------------|------------------------|----------------------|-----------------------|
| Program Subcontractor | FTE Cost | Remove | RCCF Benchmark | RCCF Benchmark |
| Foster Parent Payments | Remove | Remove | Remove | Remove |
| Food | Remove | Unit Cost | RCCF Benchmark | RCCF Benchmark |
| Mileage | FTE Cost | Unit Cost | RCCF Benchmark | RCCF Benchmark |
| Vehicle Expense | FTE Cost | Unit Cost | RCCF Benchmark | RCCF Benchmark |
| Occupancy/Facility | FTE Cost | FTE Cost | RCCF Benchmark | RCCF Benchmark |
| Supplies | FTE Cost | FTE Cost | RCCF Benchmark | RCCF Benchmark |
| Client Incidentals | FTE Cost | Unit Cost | RCCF Benchmark | RCCF Benchmark |
| Equipment | FTE Cost | FTE Cost | RCCF Benchmark | RCCF Benchmark |
| Insurance | FTE Cost | FTE Cost | RCCF Benchmark | RCCF Benchmark |
| Translation/Interpretation Services | FTE Cost | Unit Cost | RCCF Benchmark | RCCF Benchmark |

| Line Item | CPA Model Disposition | RCCF Model Disposition | GH Model Disposition | GCC Model Disposition |
|---------------------------------------|-----------------------|------------------------|----------------------|-----------------------|
| Foster Parent Recruitment Advertising | FTE Cost | Unit Cost | RCCF Benchmark | RCCF Benchmark |
| Other Advertising | Remove | Remove | Remove | Remove |
| Licensing | FTE Cost | Unit Cost | RCCF Benchmark | RCCF Benchmark |
| Fundraising and Development | Remove | Remove | Remove | Remove |
| Audit-Related Expenses | FTE Cost | Unit Cost | RCCF Benchmark | RCCF Benchmark |
| Training Expenses | FTE Cost | FTE Cost | RCCF Benchmark | RCCF Benchmark |
| Bad Debt | Remove | Remove | Remove | Remove |
| Indirect (from Parent Organization) | FTE Cost | FTE Cost | RCCF Benchmark | RCCF Benchmark |
| Lobbying | Remove | Remove | Remove | Remove |

5. Inflation

- The total costs are then increased by an inflation factor based on the Consumer Price Index⁹ (CPI). This is because the costs are based on SFY16 costs but the rates are expected to be implemented in SFY19. A five-year average was calculated using the annual inflation from 2012-2017 then applied to the implementation period to calculate the CAF as shown below.
- Calculation(s):
 - Total Program Expenses x (CAF x 1.0) = Total Program Expenses with CAF
 - Total Program Expenses with CAF / Enrollment Days = Rate with CAF

TABLE 8: WESTERN REGION CONSUMER PRICE INDEX CALCULATED INFLATION FACTOR

| Market Salary Inflation Source | Base Time Period | Implementation Period | Inflation Factor |
|--------------------------------|------------------|-----------------------|------------------|
| BLS Western CPI-U | 2016 | July 2016 | 100.00% |
| BLS Western CPI-U | 2016 | July 2017 | 101.81% |
| BLS Western CPI-U | 2016 | July 2018 | 103.64% |

FOSTER FAMILY RATES (CPA, CHILD MAINTENANCE)

To develop the foster family rates, PCG/L&E started with the United States Department of Agriculture (USDA) annual costs to raise a child, as summarized in the table below:

TABLE 9. ANNUAL COST TO RAISE A CHILD

| Age Bracket | Total Annual Cost |
|-------------|-------------------|
| 0-2 | \$16,943 |
| 3-5 | \$17,006 |
| 6-8 | \$16,549 |
| 9-11 | \$17,591 |
| 12-14 | \$17,400 |
| 15+ | \$18,428 |

The USDA costs include:

⁹ CPR-All Urban Consumers (Current Series), CUUR0400SA0, CUUS0400SA0, 2008-2018, West Area

- Housing (shelter, utilities, furnishings)
- Food
- Transportation
- Clothing
- Healthcare
- Childcare and Education¹⁰
- Miscellaneous¹¹

¹⁰ Childcare and Education are defined as daycare and school tuition, baby-sitting (i.e. respite), books and supplies.

¹¹ Miscellaneous is defined as personal care items, entertainment & non-school reading materials.

Healthcare costs were removed because the healthcare costs for foster children are covered outside of the foster care maintenance rate. Miscellaneous costs were removed because it was unclear what portion of the USDA miscellaneous costs were for Title IV-E unallowable expenses. Finally, childcare and education costs were also removed for a couple of reasons:

- It was unclear what portion of the USDA childcare and education costs, if any, were for private school tuition. Private school tuition is not Title IV-E eligible, and therefore should not be included in the foster family rates.
- Childcare costs vary widely depending on the foster family situation. Some foster families do not need before or after school childcare, some need full-time daycare while they work,, some need before and after school childcare, some need childcare that accommodates special need children, etc. Therefore, it is recommended that childcare costs be reimbursed on an actual expense basis, separate from the daily rate.

With the removal of these costs, the remaining USDA annual costs are:

TABLE 10: USDA ANNUAL COSTS (NON IV-E REMOVED)

| Age Bracket | Total Annual Cost |
|-------------|-------------------|
| 0-2 | \$10,923 |
| 3-5 | \$10,935 |
| 6-8 | \$11,773 |
| 9-11 | \$12,574 |
| 12-14 | \$13,006 |
| 15+ | \$13,234 |

The rate setting team then added some additional costs necessary for the adequate care and supervision of children including personal care items¹², certain school-related costs¹³, and occasional baby-sitting¹⁴ (i.e. respite). With the addition of these costs, the adjusted USDA annual costs are:

TABLE 11: USDA ANNUAL COSTS (ADJUSTED)

| Age Bracket | Total Annual Cost ¹⁵ |
|-------------|---------------------------------|
| 0-2 | \$11,881 |
| 3-5 | \$11,995 |
| 6-8 | \$13,062 |
| 9-11 | \$13,938 |
| 12-14 | \$14,371 |
| 15+ | \$14,378 |

Based on these annual costs, the base-level foster family daily rates are:

¹² 3% of total costs based on information from the following source: <http://www.finaid.org/educators/pj/studentbudgets.phtml>

¹³ Includes costs for supplies, field trip and school fees, and college-prep materials, based on information from the following source: <https://www.huntington.com/-/media/pdf/BackPack-Index-15-16.pdf>

¹⁴ Assumed hourly respite rate equal to Colorado minimum wage of \$10.20 (<https://www.colorado.gov/pacific/cdle/minimumwage>), and 5 hours of respite per month.

¹⁵ Average cost across the three ages in each bracket.

TABLE 12: BASE-LEVEL FOSTER FAMILY RATES

| Age Bracket | Total Annual Cost |
|-------------|-------------------|
| 0-2 | \$32.55 |
| 3-5 | \$32.86 |
| 6-8 | \$35.79 |
| 9-11 | \$38.19 |
| 12-14 | \$39.37 |
| 15+ | \$39.39 |

There may be instances where children in foster care require extra care and supervision from their foster parents such as supporting and supervising the child due to behavioral disorders, emotional disorders or mental disorders, working with the birth parents and/or siblings, including assisting in the care of the child during visits, demonstrating care techniques, and planning and decision-making, and arranging numerous appointments as just some examples.

The level of these types of needs vary widely, depending on the specific needs of each foster child. It is recommended that a process be developed for identifying when the needs of children may necessitate a higher maintenance rate and to create one or two higher levels of care. Where children need an additional 5-10 hours of supervision per week for example, the base daily rate could be adjusted upward using an hourly compensation rate of \$15.64. This hourly rate is based on the median household income¹⁶ in CO as reported by the 2016 census¹⁷, trended to 2018¹⁸.

For example, if a child, age 7, needs approximately 2 additional hours of supervision per day than a typical child in foster care, the daily rate would be calculated as the base rate of \$35.79 plus the number of extra hours needed, which is 2 hours, times the hourly compensation rate of \$15.64 to get a daily rate of \$67.07. Data would need to be collected from foster parents in order to develop the methodology more fully.

¹⁶ \$62,520

¹⁷ United State Census Bureau: <https://www.census.gov/quickfacts/CO>

¹⁸ Trended 2% for 2 years. Source: <https://www.bls.gov/news.release/cpi.t01.htm>

3. ACTUARIAL ANALYSIS

For the purposes of this project, PCG/L&E defined the actuarial analysis of this engagement as ensuring that the developed rates:

- Are based upon utilization and cost data derived from the applicable population, or if not, are adjusted to make them comparable to the anticipated population.
- Are derived from data that was adjusted, as necessary, to smooth data and account for such factors as trend/inflation, incomplete data, provider-specific data, etc.
- Are based upon industry benchmarks, where quality data was not available and/or could not be adjusted appropriately.
- Are appropriate for the populations to be covered and the services to be furnished.
- Are expected to be adequate to provide for expected costs.

PCG/L&E used the data provided by CDHS and the provider and county stakeholders to begin the actuarial analysis. Where adequate data was not available, PCG/L&E utilized publicly available industry data and state-specific data to formulate assumptions used in the rate development.

4. STAKEHOLDER ENGAGEMENT

Both CDHS and the provider and county communities were instrumental in the rate development process. One of CDHS' and PCG/L&E's primary goals in this process was to create transparent and functional stakeholder participation. PCG/L&E worked closely with providers and counties directly throughout the engagement. This included 82 exchanges with providers and counties (58 email exchanges and 24 phone calls) during the survey period alone. PCG/L&E and CDHS also facilitated official onsite engagement sessions once a month for both the providers and counties. The following list provides the schedule and topics of the onsite sessions.

TABLE 13. MONTHLY STAKEHOLDER ENGAGEMENT TOPICS

| Dates | Topic |
|-----------------------|------------------------------------|
| October 6-7 | Kickoff and Survey Introduction |
| November 13-14 | Train and Distribute Survey Tools |
| December 19-20 | Tool Submission Status and QA Plan |
| January 17-18 | Forums to Discuss Rate Methodology |
| February 8-9 | Forums to Discuss Rate Methodology |
| March 7-8 | Present Report and Recommendations |

The feedback collected at these sessions directly influenced the rate development process. The project team was able to present data, make decisions about model budget benchmarks, and collect other guidance which was worked into the final recommendations presented in this report.

PCG/L&E also conducted several additional ad-hoc calls and webinars with various stakeholders to improve the accuracy and adequacy of the rate calculation methodology (including leaders from Colorado Association of Family and Children's Agencies (CAFCA), Fostering Colorado, and counties). In addition, PCG/L&E met with CDHS on a biweekly basis throughout the project engagement. Feedback from each session was documented and shared with CDHS. All phone calls, emails and files shared with PCG/L&E were reviewed and responded to promptly (usually within a business day or sooner). The six monthly onsite stakeholder session PowerPoint presentations are available upon request to expand upon the information provided in this section (and were distributed publicly at each session). You may also see the appendix for summary of our responses to feedback and points of clarification.

5. RATE CALCULATIONS

The rate calculations summarized in this section are based on unique model budget calculations as described in the methodology section. PCG/L&E worked closely with CDHS and the county and provider stakeholders to calculate rates that are tied to the level of service provided in each out of home care setting.

PCG/L&E calculated at least two rate variations for all provider-based out of home care settings. Specifically, each service includes a rate baseline and a market rate. The baseline rates use the average reported staff salaries from the surveys. Market rates include the average salaries gathered for comparable positions by the Bureau of Labor Statistics.¹⁹ Multiple rates were calculated in order to meet the legislation requirement to consider how the salary surveys should impact the rates. Many rates were also calculated to accommodate the requests and feedback of various stakeholders. The following summarizes the differences among the rate calculations:

- *Child Placement Agency (CPA)*: Three rate rates were calculated for CPAs, a baseline, market, and market 20:1 rate. The baseline and market rates both assumed case manager child to staff ratios of 15:1. The market 20:1 rate included the same BLS salaries as the market rate but with 20:1 staffing.²⁰
- *Group Home (GH and Group Center Care (GCC))*: Two rates were calculated, a baseline and market rate.
- *Residential Child Care Facility (RCCF)*: Like the other out-of-home rates, a baseline and market (using BLS) rate was calculated. A third RCCF DYS rate was calculated using salaries derived from DYS.
- *Residential Childcare Facility for Individuals with Intellectual or Developmental Disabilities (RCCF IDD)* The need for this specific rate emerged during the rate setting process. Currently, there is a lack of appropriate placements in Colorado for youth with these disabilities and the stakeholders requested the rate setting team to develop a rate that would be sufficient to meet the needs of these youth. Similar to RCCF, three rates were calculated.

The tables below summarizes the calculated rates for each type of service.

TABLE 14: CALCULATED RATES FOR STATE FISCAL YEAR (SFY) 2019 BY SERVICE

| <i>Rate Type</i> | <i>Service Rate Type</i> | <i>Rate Detail</i> | <i>Calculated Rate</i> |
|--|--------------------------|---|------------------------|
| Child Placement Agency | CPA Baseline | Survey Salaries, 15:1 Case Manager to Child | \$45.53 |
| | CPA Market | BLS Salaries, 15:1 Case Manager to Child | \$56.86 |
| | CPA Market 20:1 | BLS Salaries, 20:1 Case Manager to Child | \$42.65 |
| Group Home | GH Baseline | Survey Salaries, 2 House Parents | \$136.12 |
| | GH Market | BLS Salaries, 2 House Parents | \$164.06 |
| Group Center Care | GCC Baseline | Survey Salaries, 6:1 Direct Care to Child | \$169.46 |
| | GCC Market | BLS Salaries, 6:1 Direct Care to Child | \$234.43 |
| Residential Child Care Facility | RCCF Baseline | Survey Salaries, 5:1 Direct Care to Child and 12:1 Overnight | \$250.07 |
| | RCCF Market | BLS Salaries, 5:1 Direct Care to Child and 12:1 Overnight | \$297.11 |
| | RCCF DYS | BLS/DYS Salaries, 5:1 Direct Care to Child and 12:1 Overnight | \$298.00 |
| | RCCF IDD Baseline | Survey Salaries, 2:1 Direct Care to Child and 4:1 Overnight | \$620.36 |
| | RCCF IDD Market | BLS Salaries, 2:1 Direct Care to Child and 4:1 Overnight | \$742.02 |
| | RCCF IDD DYS | DYS Salaries, 2:1 Direct Care to Child and 4:1 Overnight | \$744.32 |

¹⁹ Bureau of Labor Statistics, May 2016 National Occupational Employment and Wage Estimates:
https://www.bls.gov/oes/current/oes_nat.htm#21-0000

²⁰ Note that the 20:1 ratio was a result of feedback from county stakeholders that actually recommended higher ratios based on child homes. PCG/L&E tested these and other many other ratios recommended by counties but ultimately would only include a ratio as high as 20:1 in this report.

TABLE 15: CALCULATED FOSTER FAMILY RATES FOR STATE FISCAL YEAR (SFY) 2019 BY SERVICE

| <i>Rate Type</i> | <i>Service Rate Type</i> | <i>Rate Detail</i> | <i>Calculated Rate</i> |
|----------------------------|--------------------------|--|------------------------|
| Foster Family Rates | Ages 0-2 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$32.55 |
| | Ages 3-5 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$32.86 |
| | Ages 6-8 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$35.79 |
| | Ages 9-11 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$38.19 |
| | Ages 12-14 | USDA Child Costs for Housing, Food, Transportation, Clothing | \$39.37 |
| | Ages 15+ | USDA Child Costs for Housing, Food, Transportation, Clothing | \$39.39 |

For more information on how the rates were calculated, please reference the Methodology, Stakeholder Engagement, Rate Calculations and Appendix sections of this report. The Appendix also contains a possible mechanism to allocate costs into the the county cost pools of child maintenance, administrative maintenance and administrative services. Please see the Recommendations section for

6. RECOMMENDATIONS

RATE RECOMMENDATIONS

PCG/L&E recommends the following out-of-home rates summarized below and described in the preceding sections.

TABLE 16. RATE RECOMMENDATIONS

| <i>Rate Type</i> | <i>Service Rate Type</i> | <i>Calculated Rate</i> |
|--|--------------------------|------------------------|
| Child Placement Agency | CPA Market | \$56.86 |
| Group Home | GH Market | \$164.06 |
| Group Center Care | GCC Market | \$234.43 |
| Residential Child Care Facility | RCCF Market | \$297.11 |
| | RCCF IDD Market | \$742.02 |

TABLE 17. RATE RECOMMENDATIONS

| <i>Rate Type</i> | <i>Service Rate Type</i> | <i>Calculated Rate</i> |
|----------------------------|--------------------------|------------------------|
| Foster Family Rates | Ages 0-2 | \$32.55 |
| | Ages 3-5 | \$32.86 |
| | Ages 6-8 | \$35.79 |
| | Ages 9-11 | \$38.19 |
| | Ages 12-14 | \$39.37 |
| | Ages 15+ | \$39.39 |

PCG/L&E makes these recommendations based on the following reasoning that applies to all of the rates:

- **Rate Study Results:** The models are based on a reasonable methodology that uses actual provider and benchmark data to determine the actual cost of care, and are driven by direct care staffing ratios where applicable. Where provider benchmarks were not available, or appeared suppressed, industry standards were utilized.
- **Unallowable Costs Removed:** Unfunded/unallowable personnel and their portion(s) of shared expenses are removed from the calculations.
- **Stakeholder Feedback:** While it was not always possible for the counties and providers to agree on every element of the model budgets or the rates themselves, these rates were developed with significant stakeholder feedback, which significantly shaped the models.
- **Alignment with Program Goals:** The recommended rates better align to program goals and better outcomes for children. Colorado, like many states, has a shortage of foster families to meet the current level of demand. The foster family rates are intended to better support children and foster families, hopefully allowing more children to be served in family-based settings. Studies have shown that secure attachments to consistent caregivers are critical for the healthy development of children and youth, especially for very young children.

When a child or youth is in need of a higher level of care, the RCCF models are intended to provide a highly intense service for a limited time, and the RCCF IDD rate is intended to allow more children and youth with these disabilities to be placed in their home state, closer to their families. These rates support the level of care needed by children and youth intended to be served in these settings.

Further, aligning the provider-based salaries more closely to market salaries, should allow for better recruitment and retention of staff. Studies have found a correlation between staff turnover and delays in permanency, making staff stability an important factor for child outcomes.

- **The CPA rates are based on industry standards of 15:1 caseworker to child ratios.** Stakeholder feedback and discourse with both counties and providers yielded conflicting feedback on the activities and responsibilities of case managers. While it was not possible to come to full agreement between the counties and the providers on the roles and responsibilities of the CPA case managers, the role of the provider CPA case manager does share responsibilities similar to ongoing county CPS caseworkers, with current caseloads of 15 to 18 children per worker. PCG/L&E tested models but ultimately recommended the 15:1 staffing ratio for CPAs because it aligns with national standards (Child Welfare League of America) and PCG/L&E's experience in other states.

In addition to the rates above, providers will still be able to negotiate for higher rates as needed. However, given the considerable time and effort expended by all parties to make these rates better align to their intended populations, it is anticipated that the need for individual rate negotiations should be significantly reduced.

PROGRAMMATIC RECOMMENDATIONS

- 1. The anchor rates should be adjusted annually. Counties should not be responsible.**
If JBC adopts inflation recommendations, then it needs to find a way to account for the inflation factor on an annual basis. There needs to be a way to fund the inflation factor so that counties can support the annual increases.
- 2. The dollars associated for rate increases should be earmarked for these specific services and returned to the state at the end of the year to the General Fund if unused.**
We recommend creating a line item specifically for this.
- 3. Roles and responsibilities between CPA case managers, ongoing county CPS workers, and county foster home supervisors should be better defined and clarified.**
It was apparent during the rate discussions that the roles and responsibilities of these different workers was not well understood across stakeholders. Agreement on the staffing levels, roles and responsibilities, and expected outcomes would better inform future rate setting exercises.
- 4. CDHS should collect and review cost information annually.**
Providers expressed an interest in completing annual surveys/cost reports. Annual cost collection would allow CDHS to better understand and monitor the adequacy of the rates. The quality of the information would improve in subsequent years as providers gain familiarity with the process.
- 5. CDHS should complete similar rate studies in the future every five years or sooner if programs/policies change for provider services.**
Regular rate studies will ensure the appropriateness and fairness of the rates. This should occur at least every five years. Programmatic changes often require revisions to existing rate structures. But note that in the future a 12- to 18-month timeline would be more appropriate for a rate study of this magnitude.
- 6. Overtime policies and realities should be reviewed and addressed.**
Providers expressed concern about the amount of overtime worked by direct care staff. For example, the Vulnerable Persons Act in Colorado effectively requires overtime because of the 30-day clearance period for new staff. Many providers also proactively changed their employment classifications and policies because of the now halted Fair Labor Standards Act final rule on overtime.
- 7. CDHS should adjust this rate structure and related policies to comply with the Families First Act.**
The Family First Prevention Services Act was signed into law as part of the Bipartisan Budget Act on February 9, 2018. PCG/L&E has provided some guidance on this recommendation but CDHS will need to take a critical look at its child welfare system to ensure compliance with the Families First Act.

7. FISCAL IMPACT

The fiscal impact outlines the current total costs and compares to the proposed costs.

CURRENT COSTS

To determine current costs, the PCG/L&E team relied on a summary of TRAILS data provided by county stakeholders. The TRAILS data summary was previously vetted by county personnel and was used by county personnel in previous rate studies. The following table shows the TRAILS data received for the most recent full fiscal year of 2017 (FY2017).²¹ These costs were used as a baseline for the estimated fiscal impact.

TABLE 18. CURRENT COSTS (FY2017 PLACEMENTS AND RATES PAID)

| FY2017 Costs | | | | |
|----------------|--------------------------------|----------------------------------|--|--------------------------|
| Service | Average Daily Rate from TRAILS | Number of Children ²² | Average Daily Placements ²³ | Total Cost ²⁴ |
| CPA | \$28.94 | 2,609 | 1,237 | \$13,792,149 |
| Group Home | \$110.19 | 329 | 112 | \$4,523,268 |
| Group Center | \$133.65 | 532 | 169 | \$8,233,976 |
| RCCF | \$194.30 | 1,644 | 543 | \$38,506,320 |
| Foster/Kinship | \$28.05 | 2,613 | 1,165 | \$11,931,209 |

The following observations were made regarding the average paid daily rates in the FY2017 TRAILS data:

- The average paid daily rates in the FY2017 TRAILS data were approximately \$15 below the average FY2018 anchor rate for both of the CPA rates;
- The average paid daily rates in the FY2017 TRAILS data were approximately \$15 above the average FY2018 anchor rate for Group Home rates and Group Center rates; and
- The average paid daily rates in the FY2017 TRAILS data were approximately \$10 above the average FY2018 anchor rate for the RCCFs.

PROPOSED COSTS

To determine proposed costs, the PCG/L&E used the FY2017 Children and Average Daily Placements with the recommended daily rates to calculate the proposed total cost. The formula used was:

$$\text{Total FY2019 Cost} = [\text{Daily Rate} * \text{Average Daily Placements} * 365 \text{ Days}]$$

All the proposed costs, for the purpose of calculating the fiscal impact, were based on market-level rates based on CO BLS salaries. No IDD rates were considered in the proposed costs, based on stakeholder feedback that no programs can currently support IDD services. The table below summarizes the proposed costs by program.

²¹ Anchor rates are taken from the CDHS Information Memorandum from July 1, 2017 to all county human services directors with the title of "Fiscal Year (FY) 2017 Provider Rate Increase."

²² Number taken from FY17 TRAILS summary provided by counties, may not line up directly to TRAILS database.

²³ Number taken from TRAILS data summary provided by counties, may not line up directly to TRAILS database.

²⁴ Total FY2017 Costs roughly equal: Daily Rate * Average Daily Placements * 365 days; there are some rounding differences, the total costs are shown as they were reported in the TRAILS data summary we received.

TABLE 19. PROPOSED COSTS (FY2017 PLACEMENTS AND MARKET RATES)

| FY2017 Costs | | | | |
|-----------------------|------------|----------|--------------------------|--------------------------|
| Service | Daily Rate | Children | Average Daily Placements | Total Cost ²⁵ |
| CPA | \$56.86 | 2,609 | 1,237 | \$25,672,574 |
| Group Home | \$164.06 | 329 | 112 | \$6,706,773 |
| Group Center | \$234.43 | 532 | 169 | \$14,460,815 |
| RCCF | \$292.50 | 1,644 | 543 | \$57,972,038 |
| Foster/Kinship | \$61.36 | 2,613 | 1,165 | \$26,091,806 |

PCG/L&E assumed the same number of children and average daily placements for FY2019 as observed in FY2017. It is important to note that the total costs will differ as the number of children and daily placements change for FY2019.

The current and proposed total costs were then used to calculate a percentage fiscal impact. Because this methodology compares FY2017 costs to FY2019 costs, the PCG/L&E team removed the FY2018 rate increase of 1.40% that was applied to the anchor rates on July 1, 2017 to estimate the FY2018/FY2019 fiscal impact of \$51,993,182, a 68.18 percent increase from SFY2017's \$77,328,986²⁶ costs. The fiscal impact calculations are shown below.

TABLE 20. FISCAL IMPACT

| | CPA, Admin | Group Home | Group Center | RCCF | Foster Families |
|--|-----------------------------|--------------------|--------------------|---------------------|-----------------------|
| FY2017 Daily Rate | \$28.94 | \$110.19 | \$133.65 | \$194.30 | \$28.05 |
| FY2019 Calculated Market Daily Rate | \$56.86 | \$164.06 | \$234.43 | \$292.50 | \$57.64 ²⁷ |
| FY2017 Actual Costs | \$13,066,555 | \$4,523,268 | \$8,233,976 | \$38,506,320 | \$11,931,209 |
| FY2019 Costs with Market Rates | \$25,672,574 | \$6,706,773 | \$14,460,815 | \$57,972,038 | \$24,509,969 |
| Initial Fiscal Impact | 96.48% | 48.27% | 75.62% | 50.55% | 105.43% |
| FY2017/FY2018 Rate Increase | 1.40% | 1.40% | 1.40% | 1.40% | 1.40% |
| Fiscal Impact % | 95.08% ²⁸ | 46.87% | 74.22% | 49.15% | 104.03% |
| Fiscal Impact \$ | \$12,606,020 | \$2,183,505 | \$6,226,839 | \$19,465,718 | \$12,578,760 |

While the fiscal impact of these changes appears considerable, it is important to note that the estimates above assume the same utilization and distribution of children among the various placement settings as today. However, the rates were developed with certain program goals in mind. For example, the RCCF rate is intended to provide an intense level of service for a limited time. Similarly, the foster family rates are intended to better support foster families and the children in their care. The hope is that Colorado will be able to recruit and retain more foster families, and adequately support children in their care, so that provider-based out of home settings are used more sparingly and more in line with their intended therapeutic purpose. Changes in utilization could significantly mitigate the rate increases.

²⁵ Total FY2017 Costs roughly equal: Daily Rate * Average Daily Placements * 365 days; there are some rounding differences, the total costs are shown as they were reported in the TRAILS data summary we received.

²⁶ \$76,261,328 SFY2017 Costs * 1.014 SFY2018 rate increase.

²⁷ \$36.36 + \$21.28 = \$57.64 (\$36.36 is the average foster/kinship rate from TRAILS and \$21.28 represents additional supervision required by foster families). The FY2019 Calculated Market Daily Rate, and therefore the fiscal impact, do not account for foster family childcare costs. It is recommended that childcare be reimbursed on an actual expense basis, separate from the daily rate.

²⁸ \$56.86 / \$28.94 - 1 = 96.48%; 96.48% - 1.4% = 95.08%

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