

JOIN HANDS FOR CHILDREN
MINUTES FROM ADVISORY COMMITTEE ON FINANCIAL ISSUES
August 23, 2010

Members Present: Carole Holland, Sharon Osborne, Jeanine Livingston, and Gwen Gua

Staff Present: Julie Dunnington, Melissa Takade, and Benjamin Berres, Partners for Our Children; Jennifer Strus, Washington State Senate Human Services and Corrections Committee

Others: Maureen McGrath, Catholic Family and Child Services – Tri-Cities; Darlene Darnell, Catholic Family and Child Services – Yakima; John Neiswender, Pierce County Alliance; Jack Dyer and Charlotte Booth, Institute for Family Development; Mike Laederich and Kim Zacher, Comprehensive Mental Health Services; Danny Howe, Rommel Buenafe, Laurie Lippold, Lisa Owens and Marilyn Ditrack, Children’s Home Society of Washington; Roberta Nestaas, Lutheran Community Services; Marna Miller and Stephanie Lee, Washington State Institute of Public Policy; Trudy Marcellay, DSHS OIP; Dan Ashley, Rich Pannkuk, and Rene Newkirk, DSHS Children’s Administration Finance; Doug Crandall, CCS; Kevin Kruger, DSHS Risk Management; Molly Elliott, DSHS CA; Sheila Huber, AGO; Sandi Triggs, OFM; Michael Bezanson, Senate Ways and Committee staff (on phone); Wendy Tanner, Community Youth Services (on phone)

Advisory Committee co-chair Sharon Osborne called the meeting to order and thanked Roberta Nestaas and Lutheran Community Services for providing the meeting space. She then requested that meeting attendees introduce themselves.

The first topic was an update from the Children’s Administration (CA) Finance group. Rich Pannkuk reviewed a document that showed estimated funding for Master Contractors (MCs) under performance-based contracts (PBCs). The estimates are for FY 2011. The money is allocated into 6 budget service units: Behavioral Rehabilitative Services (BRS), Family Support Services, Transitional Services for Youth, Adoption Support Services, Victims’ Assistance Services, and Foster Care Services. Total appropriation is \$322.9M; of that total, CA retains \$188.3M and \$134.5M is available to MCs. This budget will go through another legislative cycle and the numbers are subject to change.

The linked document (http://www.joinhandsforchildren.org/pdf/PBC_%20Avail%20Funding.pdf) contains individual service budget unit appropriations. For Foster Care Services, the largest portion that CA retains is foster parent maintenance payments (reimbursements to foster parents for cost of care).

Sharon Osborne asked how much of foster care money is allocated for foster parent payments. Rich Pannkuk said that CA is retaining all funds (public and private) for foster parent payments. The billing would remain the same (the private agency pays the foster parent and then would bill CA or the MC).

Rene Newkirk, CA Finance, went over the federal funding breakdown for service budget units. Gwen Gua asked why the difference is so big between Title IV-e dollars (\$70.5M) and state general fund dollars (\$135.7M). Generally it’s a 50-50 split, but not all expenditures are eligible. A lesson learned from Florida is that they lost millions because there wasn’t a good reporting mechanism to claim IV-e funds. There was a question asked if it was true that the state missed the IV-e waiver deadline. Rich Pannkuk explained that the waiver approval door has been closed for several years; therefore, there wasn’t a deadline to miss.

A question was asked about where transitional living services dollars will fall. Historically, this money comes from federal dollars (Chafee funding); will it be part of the master contract? Rich Pannkuk answered that it currently is not part of the master contract dollars, but he said his group would go back and rethink this issue.

Committee member Jeanine Livingston asked what percentage of the total MC allocation needs to be administrative costs. Rich Pannkuk reported that Tony Broskowski, a national consultant who is helping CA Finance to develop a payment model, is working on this issue. Maureen McGrath, Catholic Family Charities, asked if we could get a federal funding breakdown by county or region. Rich Pannkuk agreed to do it by region and categories and will bring that document to the next meeting.

There was a request for a status on the case-rate development work. Rich Pannkuk reported that Tony Broskowski needs additional information from CA Finance, and he hopes to have the case rate done in time for the next meeting.

Maureen McGrath requested that CA Finance reconsider the 10% administrative rate for case coordination.

Julie Dunnington, Partners for Our Children (POC), gave an update on the CA provider assessment. The link to the survey was sent out last week, using the CA provider contract list. However, discrepancies showed up when compared with other regional CA contract lists. The link will be sent out again this week to try and capture those providers who did not receive the first e-mail link. It is hoped that POC can get information back to Rich Pannkuk by third week of September; he will work with Tony Broskowski to get a baseline on the first cut; then a second run of the data will be conducted.

Sharon Osborne asked where finance questions should be directed. Rich Pannkuk requested that people use the DSHS website (<http://www.dshs.wa.gov/ca/partners/transformCW.asp>). She asked that all answers to questions be posted as soon as they're addressed, and he replied CA would use the listserv to distribute answers and the DSHS website to post answers.

Maureen McGrath requested that over-expenditures be identified by region so that risk can be reduced up front. Committee co-chair Carole Holland requested that under-expenditures be identified as well. Rich Pannkuk agreed to put together a document for the next meeting.

The committee moved on to the next topic. Kevin Kruger, DSHS Risk Services gave a brief update about insurance. Regarding commercial general liability, the minimum coverage is \$1M/incident, \$2M in the aggregate. It is the same for professional liability. He looked over contracts that would be similar to PBCs and found the same \$1M/\$2M policy. He also looked at different states and found the same \$1M/\$2M policy. This is troublesome for Washington state because the payouts are higher (Washington doesn't put limits on torts); therefore, liability is higher. Looking at jury awards, the areas of higher risk are monitoring and supervision (visits). Other risks are documentation and failure to refer to CPS/law enforcement.

He also reported that carriers have exclusions such as sex abuse. He is trying to find out more information regarding greater coverage/more premiums. Carole Holland inquired about insurance that's available through the market. Sharon Osborne asked the providers present if they had any information to share. Doug Crandall, Catholic Community Services, said his organization carries \$3M/\$5M, but they deal in mental health. An observation was that made that there is a greater risk of exposure when you subcontract.

Jeanine Livingston asked if the state has a requirement for preferred market carriers. Kevin Kruger said he would look into this issue. Additionally, will the state require that they be named as additional insured? The answer is yes.

Some of the provider insurance carriers identified at the meeting are Philadelphia, Catholic Mutual, and Liberty. Sharon Osborne said the committee should try to set up a meeting with the carriers and Kevin Kruger's office.

Carole Holland then gave an update on the state budget. The governor has established a budget transformation committee, which then divided into 6 subcommittees. One of subcommittees focuses on Health Care/Human Services. Each subcommittee was instructed to look at the essential services questions listed at http://www.ofm.wa.gov/budget/instructions/operating/2011_13/essential_services_instructions_memo.pdf. Also, the governor's website gave the state's citizens the opportunity to share, vote and comment on budget ideas, with the most important ideas rising to the top. OFM will be providing written comments to many of the suggestions receiving the most votes.

The Governor announced that agencies should be prepared for 4-7% FY11 reduction, then a 6% supplemental reduction (by Oct. 13), then a 10% reduction for the biennium, which needs to be different from the 6% supplemental reduction (can't carry it forward). There is a possibility of a more than 20% total reduction. These reductions are subject to change. OFM is prepared for across-the-board reductions.

The committee took a brief break.

After reconvening, Sharon Osborne opened the floor to questions regarding the state budget.

Lisa Owens, Children's Home Society, asked if the governor's website voting poll results will be considered during the reduction process. Carole Holland said that some things are protected, such as basic education and debt service. Higher education has maintenance of effort levels. This leaves Health and Human Services and Corrections. The state has asked the AGO how provisos are treated during across-the-board reductions.

There was a question if philanthropic dollars were available to help fund this transformation. Julie Dunnington replied that there is no current commitment from the philanthropic group that was approached earlier this year, until they know how much is needed. Also, as most nonprofits are aware, there is a much better chance of a philanthropic donation if there is a match from the state.

There was a question about what CA is doing to prepare the line workers for this change. Carole Holland mentioned that there is outreach with the regional administrators regarding the implementation and that both DSHS Secretary Susan Dreyfus and Children's Administration Assistant Secretary Denise Revels Robinson are doing outreach with internal staff.

Julie Dunnington gave a brief overview of the CA regional provider meetings:

- There was a question of how many MCs there would be per region – one, or two where there is geographic diversity? CA is looking at the number of children per region for geographic boundaries. The decision hasn't been made yet.
- Smaller providers were unsure as to whom they should be networking with. In the next month or so, CA will request a letter of interest for potential MCs. CA will publish that list so people know who to talk to.

- A draft outline of the RFP will be sent out to providers for comment. CA requests comments back one week after the draft release.
- Data book – POC will send the CA data book link to the committee. Charlotte Booth asked if there was going to be an in-home services data book. Rich Pannkuk replied that there is no time frame for an in-home services data book, but it's a high priority for CA.

Doug Crandall requested that CA not make a decision that precludes creative solutions (e.g., a creative joint RFP response by two mid-size agencies to serve a geographically diverse region, but CA deciding there should be only 1 MC/region).

There was a question regarding the BRS transition. CA is working the issues.

There was general agreement that the provider letter of interest be requested and submitted quickly. Rich Pannkuk will let others at CA know that the letter of interest should be done very soon, especially for the out-of-state agencies.

The agenda item regarding the intake process flow was tabled until the next meeting because the CA presenter was called away to another meeting.

Julie Dunnington reviewed the POC birth parents/social worker study. Among the results were what birth parents viewed as their top 10 needs, as opposed to what social workers viewed as the parents' top 10 needs. Most of the time both sides agreed when it came to services such as basic parenting skills and family counseling. They differed when it came to basic concrete needs (such as food and housing) versus services for substance abuse, domestic violence and anger management. The full reports for both the birth parents and social workers can be found at: <http://partnersforourchildren.org/knowledge-center>.

Jack Dyer, Institute for Family Development, wanted to revisit the discussion regarding administrative cost. He asked that there be a clear definition of what's considered an administrative cost. He also had follow-up information from the last meeting about B&O taxes. If you receive money from a MC it is taxable at a 1.8% rate, but that doesn't include municipality taxes. With the municipality taxes, an agency could be looking at a significant amount of money. The MC is not subject to the B&O tax. Carole Holland suggested that the committee report to the larger TDC meeting and the legislature that this is an unforeseen consequence that needs to be addressed and then clarified in the RFP.

Gwen Gua revisited the data book topic and requested that Washington and out-of-state Indian children be broken out in the data book. Rich Pannkuk will take this request back to the CA core team.

For the next meeting, Gwen Gua will provide an update on which tribes will step up to be MCs.

There were no further questions or comments from the public. The meeting was adjourned.