



*An initiative of Pennsylvania Partnerships for Children
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Frequently Asked Questions on Pennsylvania Proposed Child Welfare Financing Reform: September 2009

What is the Pennsylvania child welfare system?

The child welfare system in Pennsylvania is responsible for the investigation of child abuse, as well as the coordination and delivery of services to strengthen children and families. These services include family support, case management, foster care and adoption. Child welfare is state managed and county administered in Pennsylvania through 67 children and youth agencies. The Commonwealth is one of 13 states with a state managed county administered system.¹ Other states utilize state administered systems.

How do children fare in Pennsylvania's child welfare system?

At any given moment, more than 18,000 children find themselves living in the foster care system rather than with their birth families because they have been abused or neglected. Children from birth to age five make up 30 percent of the foster care system; children six to 12 equal 24 percent of the population, while the vast majority or 46 percent of children living in foster care are teenagers 13 and older.

About 24 percent of these children in the foster care system live in group homes and institutions (congregate care). But as children get older, that figure jumps. Today, nearly half of Pennsylvania youth, 13 years and older, are placed in group homes and institutions. Pennsylvania's institutional and group home placements greatly exceed the national average. Most recently available data indicates that only 17 percent of children are placed in congregate care settings nationwide.² This level of discrepancy should cause Pennsylvania to question: Does the Commonwealth overly rely on congregate care for dependent children?

The bottom-line is that more children should be in family settings. Research demonstrates that children in home settings generally achieve better outcomes than those in institutional settings such as: higher levels of education, less alcohol or other drug abuse problems, more positive relationships with biological siblings, better housing stability, more close relationships and social support, less dependency on public assistance, and less risk of delinquency.³

Efforts to reduce congregate care placement does not mean that a child should never be placed in an institutional setting. Some children require intensive services that are best delivered in an institutional setting. The goals for the dependency system and those for the delinquency system are far different.

¹ In addition to Pennsylvania, the other states that have state managed, county-administered systems include: California, Colorado, Georgia, Minnesota, Nevada, New York, North Carolina, North Dakota, Ohio, Virginia and Wisconsin.

² U.S. Department of Health and Human Services, Administration for Children and Families. Adoption and Foster Care Analysis and Reporting System (AFCARS) Report, January 2008.

³ Festinger, T. *No one ever asked us... A postscript to foster care*. New York: Columbia University Press. 1983; McDonald, T., Allen, R., Westerfelt, A., & Piliavin, I. *Assessing the long-term effects of foster care: A research synthesis*. Washington, D.C.: Child Welfare League of America. 1996; Jones, M.A., & Moses, B. *West Virginia's former foster children: Their experiences in care and their lives as young adults*. New York: Child Welfare League of America. 1984.

The focus of the dependency (child welfare) system is the safety and stability of the child. The delinquency (juvenile justice) system must also address the need to assure community safety. Care should be taken to assure that financing strategies align with the specific goals of both systems.

How is child welfare funded in Pennsylvania?

The Commonwealth is a funding partner with the federal and county governments in the delivery of child welfare services. The state and federal governments contribute approximately 80 percent of all funding for child welfare services in Pennsylvania. In FY 2008-2009 \$1.496 billion in state and federal funds is available for child welfare in Pennsylvania.

The budget proposal is developed by utilizing the Needs Based Budget (NBB) process, established by Act 30 of 1991. Under the NBB process, counties are required to submit to the Department of Public Welfare by August 15 of each year an estimate of their budget needs for the *following fiscal year*. This estimate includes counties' request for both child welfare services for dependent children and their families and juvenile justice services for delinquent children. The Department must review and approve, and modify if appropriate, each county's needs based budget and consider whether it is reasonable in relation to past costs, projected cost increases, number of children in the county and the number of children served, service level trends and projections of other sources of revenue. The aggregate county amounts certified by the DPW make up the Needs Based Budget. The NBB is then submitted to the governor for consideration in his or her proposed budget for the following fiscal year. The General Assembly takes action on the NBB as part of their annual budget consideration and appropriates funds.

What changes are being sought for child welfare financing?

The Department of Public Welfare proposes to safely reduce the number of children in foster care by 20 percent by 2010. A core strategy to achieve this goal is to reform child welfare financing in order to incentivize strategies designed to achieve the safe reduction goal and improve outcomes for children and their families.

DPW proposes to modify the percentage of state reimbursement⁴ to counties for some child welfare services in order to drive more funds to:

- Provide increased state support for home and community based services as well as evidence based special grants which reduce the need to ever place children in foster care and help to assure that every child has a permanent family.
- Assure more children are placed in home settings when they must be placed in foster care by reducing the state's share to reimburse placement in congregate settings and increase the state's share for placement in foster care homes.
- Provide counties with appropriate funding flexibility and financial rewards for high performance in achieving permanency outcomes for children and youth.
- Provide a maximum percentage for indirect administrative costs and a minimum level for a facility's occupancy percentage that the Department will participate in the reimbursement of costs.

The proposal also:

- Clarifies the purpose of the child welfare and juvenile justice systems.
- Provides appropriate notice to DPW for placement of any child more than 50 miles outside the state's borders.
- Requires an annual report to the General Assembly detailing the services provided to children and families and the funds utilized under major funding categories and grants.

These changes are proposed to be phased in over a three-year period giving counties and local providers ample time to align their practices. It is important to note that nothing in the proposal prohibits

⁴ State reimbursement percentages appear at the end of this document.

a county from utilizing their own funds in any way they choose. The changes could not begin to take effect until FY 2010-2011. The three-year phase-in would be complete by FY 2012-2013.

Why are these financing changes being sought?

Changes are being sought to assure the most prudent use of state and federal funding. The proposal is designed to align funding with services shown to produce positive outcomes for children and families.

In addition, the Commonwealth is currently negotiating an action plan with the federal government on systems improvement related to an audit of how federal matching funds were determined and claimed from 1997-2003. This audit is in addition to another audit that the Commonwealth recently resolved with the Administration for Children and Families within the U.S. Department of Health and Human Services. The Commonwealth has begun to initiate accountability and assurance requirements including: an automated data reporting system, statewide quality assurance and multi-tier review of programs, state level review of per diems in excess of \$300, review of age compliance, institutionalize foster care per diems, and institutionalize practice for residential invoices. Much of the federal government's concerns stemmed from the fact that PA needs to ensure that counties are operating consistently and uniformly and that there are not 67 separate sets of rules and procedures, etc.

Are these changes enough? Are there other complementary reform strategies underway?

The financing reform proposal complements a number of other initiatives underway in the Commonwealth. The Department of Public Welfare is partnering with the Administrative Office of Pennsylvania Courts in fourteen counties⁵ to implement the Permanency Practice Initiative which focuses on decreasing the use of congregate care and increasing permanence for older youths in care. The Initiative also promotes best practices such as family finding and family group decision making which are financed at 95 percent state share under this proposal. An additional 13 counties⁶ are beginning to participate in phase two of the initiative, bringing the total count to 27 counties. It is also important to note that while Philadelphia does not officially participate in the Permanency Practice Initiative, it is voluntarily implementing the policy changes required of the county participants in the program. Sixteen counties⁷ are participating as part of a six-state National Governor's Association policy academy on safely reducing the number of children in foster care. Each of these counties have committed to safely reducing placement over the coming years in an effort to achieve the statewide reduction goal of 20 percent. Together, these two initiatives cover 14,916 children or about 81.2 percent of all Pennsylvania children in foster care. Another driver for this proposal is the recent federal review of Pennsylvania's child welfare system – the Child and Family Services Review (CFSR) and related Program Improvement Plan (PIP). The CFSR indicates the areas in which Pennsylvania needs to improve its child welfare system and the PIP serves as our action plan.

Is there evidence that the proposed child welfare financing changes will work?

A review of successful efforts in the area of child welfare financing and incentive strategies reveals several common elements that Pennsylvania is trying to achieve: a reimbursement mechanism that favors family-based placements and community-based services and a demonstration of the effects on dependent children and providing rewards for achieving high performance in achieving permanency outcomes. Several other states and large cities have tied financing and incentive strategies together.

⁵ The following counties are participating in the Permanency Practice Initiative – Allegheny, Blair, Butler, Carbon, Chester, Dauphin, Jefferson, Lackawanna, Lehigh, Northampton, Snyder, Venango, Washington, and York.

⁶ The following counties are participating in phase two of the Permanency Practice Initiative – Adams, Armstrong, Bucks, Clinton, Cumberland, Forest, Franklin, Fulton, Indiana, Luzerne, Montgomery, Tioga, and Warren

⁷ The following counties are participating in the NGA policy academy on safely reducing the number of children in foster care: Allegheny, Bucks, Clarion, Clinton, Dauphin, Erie, Lancaster, Lawrence, Lehigh, Luzerne, McKean, Montgomery, Northampton, Philadelphia, Schuylkill and York.

Florida has seen extraordinary success by tying its financing and home-based incentive strategy together. More children are placed in home-based settings, more families are accessing services without a report of child abuse, shelters are closing, and length of time in care is decreasing. All of this leading to decreased costs. In fact, due to its efforts Florida has experienced a reduction in foster care of 29 percent in 2 years and in some places a reduction as high as 50 percent.

New York City also offers a successful example of child welfare reform that resulted in savings and a reinvestment in the system to further reduce the number of children in foster care. New York City initially increased its investment in child welfare (unlike what the Department has proposed for Pennsylvania) by focusing dollars on prevention services and its child welfare workforce. Once they realized a reduction in the number of children in foster care, they reinvested those savings in further reduction efforts. The foster care population was reduced by over 50 percent between 1997 and 2007.

In Illinois, the Department of Child and Family Services has demonstrated impressive success in reducing the number of children in foster care by focusing its financing strategy on permanency services for dependent children. For example in 1997, 51,331 Illinois children were living in substitute care. Because of an increased emphasis on early intervention and permanency services such as adoption and guardianship that number has declined to 16,160 children in June 2007 -- a 67 percent reduction since June 1998.⁸

What is the cost impact of the proposal?

As previously noted the proposed changes will provide savings in some areas of state reimbursement and reinvest them through increased reimbursement rates for certain services to drive improved child outcomes. Therefore, the proposal is revenue neutral.

When would the proposed changes take effect?

Changes enacted now would take effect in FY 2010-2011. The three-year phase in would be complete by FY 2012-2013.

What is the impact on the private provider community?

Pennsylvania has an array of private providers who are instrumental in providing prevention, intervention and treatment services to children, youth and families. The proposed changes are likely to impact the demand for congregate care. While some services and practices will be relied upon less, other services proven to yield better child outcomes will be in greater demand and supported with increased state support under this proposal. Private providers will play a critical role in providing the services that drive better outcomes for children. The proposal provides for a maximum percentage for indirect administrative costs and a minimum level for a facility's occupancy percentage that the Department will participate in the reimbursement of costs.

How will the child welfare financing changes work with other reform efforts?

The financing changes will strengthen current reform efforts that are advancing best practices to safely reduce the number of children in Pennsylvania's foster care system.

Consider a few examples:

Under the Permanency Practice Initiative, family finding is one strategy being prioritized in the participating counties. When a county child welfare agency engages in family finding they are able to identify extended family members who are willing to provide support to the parents and children involved with the agency. These supports can help reduce the time a family is involved with the child welfare system and prevent children from coming into foster care. Family finding is a best practice that can be funded under special grants with 95 percent state financial support. If a child's need for safety warrants

⁸ Source: Casey Family Programs

foster care placement, family finding efforts help identify family members to provide foster family home care. The financing changes in this proposal support a higher reimbursement rate for foster family home care.

The Department of Public Welfare is promoting Family Group Decision Making under the National Governor's Association child welfare policy academy as well as through the court initiative. This is an evidence-based practice which counties can receive special grant funding at 95 percent state funding. County child welfare agencies implement Family Group Decision Making to increase the number of extended family members and friends of family who are involved in the development and implementation of the family's service plan. It has been shown to help families identify broader resources, promote child safety and establish family service plans that more quickly and effectively address the concerns that led to the child welfare agency's involvement with the family. The practice is also effective in reducing the amount of time children are in foster care, increasing the involvement of paternal relatives and improving family functioning.

Why do something now?

Pennsylvania has a responsibility to ensure that the money provided to counties results in positive outcomes for children and youth. For almost two decades budgeting for child welfare has been based on last year's spending rather than more directly connected desired outcomes. This needs to change.

We are currently experiencing what some would call "the perfect storm" to drive these statutory changes. First, with the nation continuing to face an economic recession, the current climate has underscored the need to spend tax dollars wisely in a way that produces the best results for dependent children. Pennsylvania has also recently completed a federal Office of the Inspector General audit, which has caused the Administration for Children and Families (ACF) to demand greater accountability from Pennsylvania. Not implementing improvements for child welfare financing could jeopardize \$330 million in federal Title IV-E funding for the Commonwealth.

This proposal should be enacted by the General Assembly concurrently with the FY 2009-2010 state budget or sooner. Enacting changes now means that they could be implemented in the 2010-2011 fiscal year. Delaying enactment would put off implementation of the proposed changes by an additional state fiscal year. The finance changes will help children and their families as soon as they can be implemented. Children and their families cannot afford to wait.

It should be noted that it is important to enact the changes now because they complement other child welfare reform initiatives that are changing practices in the Commonwealth and they together will help Pennsylvania safely reduce the number of children living in foster care – a very worthy goal.

State Reimbursement Percentages

IN-HOME	Original Rate through FY 2009-10	July 1 2010 - June 30, 2011	July 1 2011 - June 30, 2012	July 1 2012 and each year thereafter
ADOPTION SERVICE	100%	99%	97%	95%
ADOPTION ASSISTANCE	80%	83%	88%	95%
COUNSELING - DEPENDENT	80%	81%	82%	84%
COUNSELING - DELINQUENT	80%	81%	82%	84%
DAY CARE	80%	81%	83%	85%
DAY TREATMENT - DEPENDENT	80%	81%	83%	85%
DAY TREATMENT - DELINQUENT	80%	81%	83%	85%
HOMEMAKER SERVICE	80%	81%	83%	85%
INTAKE & REFERRAL	80%	81%	83%	85%
LIFE SKILLS - DEPENDENT	80%	81%	83%	85%
LIFE SKILLS - DELINQUENT	80%	81%	83%	85%
PROTECTIVE SERVICE - CHILD ABUSE	80%	81%	83%	85%
SERVICE PLANNING	80%	81%	83%	85%
JUVENILE ACT PROCEEDINGS - DEPENDENT	50%	50%	50%	50%
JUVENILE ACT PROCEEDINGS - DELINQUENT	50%	50%	50%	50%

COMMUNITY BASED PLACEMENTS				
ALTERNATIVE TREATMENT – DEPENDENT	80%	79%	78%	75%
ALTERNATIVE TREATMENT - DELINQUENT	80%	80%	80%	80%
COMMUNITY RESIDENTIAL – DEPENDENT	80%	76%	70%	60%
COMMUNITY RESIDENTIAL - DELINQUENT	80%	80%	80%	80%
EMERGENCY SHELTER - DEPENDENT	90%	89%	87%	85%
EMERGENCY SHELTER - DELINQUENT	90%	90%	90%	90%
FOSTER FAMILY - DEPENDENT	80%	82%	84%	88%
FOSTER FAMILY - DELINQUENT	80%	82%	84%	88%
SUPERVISED INDEPENDENT LIVING – DEPENDENT	80%	81%	83%	85%
SUPERVISED INDEPENDENT LIVING - DELINQUENT	80%	81%	83%	85%
INSTITUTIONAL PLACEMENTS				
JUVENILE DETENTION SERVICE	50%	50%	50%	50%
RESIDENTIAL SERVICE – DEPENDENT	60%	58%	55%	50%
RESIDENTIAL SERVICE - DELINQUENT (EXCEPT YDC)	60%	59%	57%	55%
SECURE RESIDENTIAL SERVICE (EXCEPT YDC)	60%	58%	55%	50%
YDC/YFC (NON-SECURE)-Institutional	60%	58%	55%	50%
YDC SECURE	60%	58%	55%	50%
ADMINISTRATION				
	60%	58%	55%	50%

SPECIAL GRANTS	Rates as of July 1, 2010
INDEPENDENT LIVING GRANTS	90%
INFORMATION TECHNOLOGY GRANTS	60%
PENNSYLVANIA PROMISING PRACTICES GRANTS	90%
EVIDENCE BASED PRACTICES GRANTS: <ul style="list-style-type: none"> • MULTI-SYSTEMIC THERAPY • FUNCTIONAL FAMILY THERAPY • FAMILY GROUP DECISION MAKING • MULTIDIMENSIONAL TREATMENT FOSTER CARE • FAMILY DEVELOPMENT CREDENTIALING • FAMILY FINDING 	95%
HOUSING GRANTS	90%
STATE REINTEGRATION GRANTS	80%