



House Bill 7089
Status Update on the Development of a Funding
Methodology for Community Based Care Child
Welfare Services

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Background

The Department of Children and Families (DCF) contracted with KPMG to develop an actuarially sound methodology for determining costs associated with the services provided by Community Based Care (CBC) lead agencies, pursuant to section 409.9913, Florida Statutes. This section of statute requires the Department to submit monthly status reports on activities and progress towards developing the funding methodology. The July 2024 status update provided details about the first two phases of the project: Phase 0 - Work Plan Development, which defined the structure, schedule, roles, decision-making protocols, and deliverables of the engagement; and Phase 1 - Development of Reporting Requirements, which involved data collection (from both DCF and CBC lead agencies) and analysis to develop accurate reporting requirements and cost estimates.

This report serves as the Department's status update for August 2024.

August 2024 Status Update

During the months of July and August, KPMG focused on analyzing data received from the Department and the CBC lead agencies. The Department requested that the CBC lead agencies utilize a new expenditure template to collect some of the information needed to successfully develop the draft methodology. One of the constraints identified during prior attempts at developing an updated funding methodology was the lack of uniformity of expenditures reported to the Department. More specifically, the majority of costs and expenditures for children in out of home care (foster care board rates, group care rates, etc.) are documented in the Florida Safe Families Network (FSFN) system, but other expenditures like ancillary supports for high need youth, prevention services, and administrative expenditures are not captured in FSFN but through other reports, using various cost pool codes that are not always uniformly applied. Long-term, this level of separate reporting will not be necessary once the Comprehensive Child Welfare Information System (C-CWIS) is deployed in 2025 all child welfare expenditures will be collected in the financial module of the new system.

The Department received extensive feedback on this exercise from the lead agencies and adjusted along the way to address concerns or clarifications needed. In lieu of group discussions, individualized technical assistance meetings were offered to each CBC lead agency. This approach resulted in better understanding of individual concerns and questions. At the conclusion of August 2024, the CBC lead agencies submitted expenditure data for State Fiscal Years (SFY) 2023 and 2024 in the newly created monthly expenditure template. KPMG also requested that CBCs provide information on any other funding sources used to support the services provided to children in care. This will help to ensure there is an accurate depiction of the true cost of serving a child.

Phase 2: Methodology Development

The project is currently in Phase 2 - Methodology Development. KPMG has successfully advanced model development through data processing, validation, and creating data uniformity. KPMG is currently working on developing a model that adequately accounts for unique geographical differences and risk adjustments, including wage and housing factors, child age, etc. Key activities that have taken place during this phase include:

- Analyzing historical costs by CBC lead agency, cost category, and tier to understand historical spend trends.
- Reconciling historical annual expenditure reports to General Ledgers provided by CBC lead agencies, including General Ledger methodology and Groups of Care mapping by Cost Pool (OCA) and cost category (groupings of expenditures).

- Establishing a tiered payment approach as follows:
 - Tier 1a: Operational and Administrative Costs
 - Tier 1b: Salary and Benefit Costs
 - Tier 2: Per Child Per Month Cost based on Groups of Care (Out of Home, Post-Adoption, etc.)
 - Tier 3: Incentive payments for meeting certain measures
- Completed preliminary analysis of potential cost drivers of historical expenditures (age, etc.).
- Refining analysis of data for Tier 1 and Tier 2 model development as additional data becomes available.
- Hosting individual meetings with CBC lead agencies to discuss current definitions regarding Tier 1 and Tier 2 of the funding model.

While all the analysis and inputs needed to complete the methodology are still underway, the Department has received important feedback from CBC lead agencies that is informing the process. Below is a list of considerations provided by the CBC lead agencies during this phase of the process.

- CBC lead agencies felt strongly that case management costs should be captured in Tier 1 instead of Tier 2 because these costs are fairly static month to month regardless of the number of children served month over month.
- CBC lead agencies felt strongly that risk factors such as wage differences, housing market variances, demographics like gender and age should be taken into consideration.
- CBC lead agencies wanted to better understand why “pass-through” payments like maintenance adoption subsidies or Level 1 licensure funding would be included in the model. There is some concern that these payments are not a part of “core” funding.
- CBC lead agencies wanted to understand how the funding formula will be implemented from a payment perspective and how the process will impact their state funded carry forward. They expressed the desire for a model that would include some level of predictability in payment each month.
- CBC lead agencies provided insight into individual unique costs that could affect funding such as serving dually served youth.

The Department and KPMG will continue to solicit feedback for the draft funding methodology with key stakeholders both in group discussions and individualized sessions (as needed). This approach underscores the commitment to stakeholder participation and emphasizes the importance of fully ensuring their understanding of the approach and the incorporation of their perspectives in the project. It also supports the assessment and validation of the funding model, actuarially sound rate ranges, and the methodology report.

Next Steps

- KPMG will complete data processing, validation, and transformation procedures.
- KPMG will complete a cost model with consideration of factors identified by DCF and CBCs to perform risk adjustments.
- KPMG will complete a draft funding model and rate report for DCF review by October 15, 2024.