

Hello. I would like to thank you for this opportunity today to address this special committee on rate implementation. My name is Jim Balestrieri. I am Chief Executive Officer of Oconomowoc Residential Programs (ORP) in Oconomowoc, Wisconsin, an employee-owned ESOP company (ORP.com). Through its operating companies, ORP has been providing human services and education programs for more than 25 years. In 2008, we served more than 1,300 individuals with disabilities and special needs, and our employees provided almost 3.5 million hours of service. We operate a room and board school and have an RCC license at Oconomowoc Developmental Training Center (ODTC) and the Genesee Lake School. We serve children and adolescents with a dual diagnosis of a developmental disability and a severe behavioral disorder, whose needs are so challenging that they require treatment and educational services to be provided in a residential setting.

When I first became aware of the DCF's desire to reinstitute a rate setting process that was reminiscent of the old system that was in place until 1981, I was surprised. The previous system was a proven failure and was wisely replaced by the Department with the system that is currently in place. Having done rate setting for various CCIs, RCCs and Group Homes for the last 39 years, I have witnessed both systems in operation.

Ironically, a main driver for the previous system's replacement was the recession of 1981. Many of us in this room remember the severity of that recession. The administrative costs and the delays of setting rates within the DHFS far exceeded the benefit that was being gained. In fact, it was pure lose/lose/lose for the department, the provider, and the children we serve. So today, another recession is apparently going to cause another systems change in rate setting. We are "back to the future."

In my opinion, this provider rate initiative will not result in more effective use of residential care, better outcomes for children or more control over costs. It will produce unintended consequences and additional expense at exactly the time that we can least afford it. The existing rate setting/profit cap/allowable cost system for RCCs is not perfect, but it works, and it should be retained.

The Department's arguments for changing the system simply are not persuasive.

- The Department hangs its hat on the idea that rate increases have exceeded increases in the national CPI and, therefore, must be too high. But much of the explanation for this discrepancy lies in the fact that the services being provided by RCCs today are very different – and much more cost-intensive – than what they were 10 or 20 years ago.
 - i. The number of children in RCCs has declined substantially, reflecting the preference to serve children in home-based settings whenever possible. The typical child who receives residential placement today has far more challenging behaviors than those in previous years. This drives up costs.
 - ii. Years ago, RCCs did not face the demands of the federal Individuals with Disabilities Education Act (IDEA), which requires that each child with special needs receives a free and appropriate publicly funded education. IDEA currently drives many placements for RCCs throughout the United States, as local school districts rely on them to ensure that children with disabilities receive appropriate educational services. ODTF provides educational services that enable children with disabilities to fulfill their educational goals, using assistive technology, special therapies, and other support services. Those expenses did not exist before the maturation of IDEA.
- The Department points to the fact that RCCs have a wide range of rates as a justification for rate setting. To cite these “outlier” daily rates is misleading. The variety in rates flows directly from add-on and specialized services tailored to the specific behavior and educational needs of a child. These are dictated by the Individual Educational Plan (IEP) required under IDEA, and the Individual Treatment Plan or Plan of Care. The only way a Wisconsin county can pay a rate is if it is published. As a result, many rates are published that are for only one child, and that may be limited as to time. The key point that emerges from the table on page 3 of the Legislative Council Memo #2 (attached) is that 90% of the RCC placements have daily rates of about \$300/day or less.

- RCC rates are reasonable when compared to alternative placements, primarily the state centers of Northern, Winnebago or Mendota. RCC rates are less than half of the center rates. For example, a Wisconsin child was recently re-admitted to ODTTC at a rate of \$574/day. This child came from the Northern EXEL unit which has a rate of \$1,048 to \$1,409 per day. The centers do fine work. RCCs work in concert with them but the rate distinction is a reality.
- RCCs simply are not a major part of the budget problem. Wisconsin RCC placements are decreasing every year as a trend from the 386 children, as noted in Table 1 on page 2 of the Legislative Council Memo #1 (attached). It does not make sense to impose a layer of rate regulation on a service that is declining, rather than growing.
- By contrast, if RCCs begin to close their doors because of a flawed system of rate regulation, as we had in the 1970s, other public institutions will be called on to serve our children who have the most significant needs. The number of children placed in state centers, enrolled in local school districts, sent to local detention facilities, and leaving the State for services will climb. The net cost to the State can only go up.

If, despite this evidence, the State does pursue a program of rate regulation, in my opinion, certain other aspects of the licensing system have become archaic and should be modified.

- We should admit that we have changed from a philosophy driven system to a cost containment system, and the licensing rules should be adjusted accordingly.
- We should eliminate the "Certificate of Need" requirements for additional RCC beds. This requirement keeps rates artificially high. ODTTC has been repeatedly denied additional bed requests by DCF and its predecessor, DHFS. These requests were targeted to serve non-Wisconsin children who seek our educational services. By allowing more placements of children from outside Wisconsin, we can lower the overall cost of service.

- We should allow RCCs to obtain funding to operate secure units as the RCC code allows. This will lower staffing costs dramatically for certain children.
- The Department suggests that RCCs have a financial interest in keeping children in their care, regardless of outcomes. In fact, our referral sources currently have a very difficult time finding an appropriate setting for children to attend following their discharge from ODTC. Significant educational and behavioral progress can be undone with an inappropriate placement, which is why it is not uncommon for us to see re-admissions. Better transition options need to be developed for children who are ready to leave an RCC.
- The age specified on RCC licenses should be changed from "04 years through 17 years" as is on our current license (attached) to "4 years through 21 years" as is in your committee literature (attached) as the stated RCC regulation. This would be consistent with federal IDEA law and with neighboring states like Indiana, Illinois and Minnesota.
- As part of the new child welfare provider rate system, DCF should be required to assess the children RCCs serve and determine the total taxpayer cost if RCCs did not exist. This would show the cost effectiveness of the services RCCs provide in the context of the full range of service and placement options.
- We must realize that every other state that sends children to ODTC has a rate split between education (40% - IDEA) and room, board, and treatment services (60%). There are two payers instead of just one. We do not make this distinction in Wisconsin. This can affect the federal matching percentages.

In closing, again, I thank you for this opportunity to address this committee today. I am confident that with your close attention to these issues, we will maintain a system that currently offers a win/win/win for the department, the provider, and the children we serve.

May I answer any questions?

PLACEMENT_TYPE	MONTHLY COST_RANGE	COUNT_OF CHILDREN	%_OF CHILDREN	TOTAL_MONTHLY COST_FOR_RANGE	%_OF COST
Group Home	\$3000 or less	3	0.88%	2,775	0.14%
Group Home	\$3001-\$3500	13	3.80%	44,553	2.23%
Group Home	\$3501-\$4000	36	10.53%	142,856	7.16%
Group Home	\$4000-\$4500	8	2.34%	34,732	1.74%
Group Home	\$4501-\$5000	43	12.57%	207,703	10.41%
Group Home	\$5000-\$5500	30	8.77%	161,501	8.09%
Group Home	\$5501-\$6000	80	23.39%	468,368	23.47%
Group Home	\$6000-\$6500	34	9.94%	210,441	10.55%
Group Home	\$6501-\$7000	24	7.02%	161,399	8.09%
Group Home	\$7000-\$7500	25	7.31%	179,536	9.00%
Group Home	\$7501-\$8000	25	7.31%	190,280	9.53%
Group Home	Over \$8000	21	6.14%	191,481	9.60%
SUBTOTAL		342		1,995,625	
RCC	\$7000 or less	53	13.42%	178,841	5.43%
RCC	\$7000-\$8000	76	19.24%	595,824	18.10%
RCC	\$8000-\$9000	128	32.41%	1,102,200	33.48%
RCC	\$9000-\$10000	111	28.10%	1,055,178	32.05%
RCC	\$12000-\$14000	23	5.82%	290,287	8.82%
RCC	\$14000-\$16000	1	0.25%	14,109	0.43%
RCC	\$16000-\$18000	1	0.25%	17,480	0.53%
RCC	\$18000-\$20000	1	0.25%	18,071	0.55%
RCC	Over \$20000	1	0.25%	20,184	0.61%
SUBTOTAL		395		3,292,174	
Treatment Foster Home	\$500 or less	262	23.65%	10,200	0.64%
Treatment Foster Home	\$501-\$1000	21	1.90%	19,177	1.21%
Treatment Foster Home	\$1001-\$1250	25	2.26%	30,069	1.90%
Treatment Foster Home	\$1250-\$1500	168	15.16%	240,343	15.17%
Treatment Foster Home	\$1501-\$1750	255	23.01%	409,361	25.85%
Treatment Foster Home	\$1750-\$2000	191	17.24%	361,222	22.81%
Treatment Foster Home	\$2001-\$2500	96	8.66%	208,160	13.14%
Treatment Foster Home	\$2500-\$3000	44	3.97%	126,124	7.96%
Treatment Foster Home	\$3001-\$3500	32	2.89%	99,200	6.26%
Treatment Foster Home	Over \$3500	14	1.26%	79,965	5.05%
SUBTOTAL		1108		1,583,821	

- 255 / DA
- 262 / DA
- 312 / DAM

Note: Treatment foster home cost data is for only the administrative portion of rate to the TFC agency.

Source: eWISACWIS ad hoc report 10/7/09

Cost data modified to reflect full annual monthly cost. Actual cost is less for children who have stays of less than a full month.

A treatment foster home is any facility that is operated by a person required to be licensed under s. 48.62 (1) (b), Stats., that is operated under the supervision of DCF, a county department of human or social services, or a licensed child welfare agency, and that provides to no more than four children care, maintenance, and structured, professional treatment by trained individuals, including the treatment foster parents. The care provided is meant to be family-oriented and not shift-staffed. [s. 48.02 (17q), Stats.; s. DCF 38.03 (28), Wis. Adm. Code.]

It should be noted that this definition of "treatment foster home" will be repealed when the new graduated foster care licensing system is implemented by the Department of Children and Families (DCF) in 2010.

Number of Children in Out-of-Home Care

As of August 31, 2009, there were 6,623 children in out-of-home care. 5,560 of these children were in family foster home settings, with 1,116 in treatment foster care. 814 children were in group settings, including 359 in 130 group homes and 366 in 35 RCCs. 151 children were in other types of institutional settings.

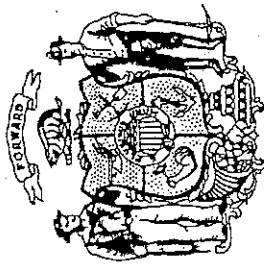
Table 1 shows the distribution of children in out-of-home care, by type of residential setting. Table 2 shows a 13 month count for children in out-of-home care.

TABLE 1

Wisconsin Children in Out of Home Care
on
August 31, 2009

Grouped Placement Settings Totals with Percent of State Total		
Placement Setting by Group	State Total	State %
Family Foster Home Setting	5,560	83.95%
Foster Family Home (Non Relative)	2,225	33.60%
Foster Family Home (Relative)	325	4.91%
Kinship Care - Court-Ordered	1,262	19.05%
Non-Relative-Unlicensed	47	0.71%
Relative - Unlicensed	436	6.58%
Pre-Adoptive Home	127	1.92%
Receiving Home	22	0.33%
Treatment Foster Home	1,116	16.85%
Group Setting	814	12.29%
Group Home	359	5.42%
RCC	366	5.83%
Shelter	55	0.83%
Institutions	151	2.28%
Adult Corrections	2	0.03%
Detention	23	0.35%
Hospital	15	0.23%
Youth Correctional Facility	111	1.68%
Trial Reunification	19	0.29%
Missing From Out-of-Home Care	79	1.19%
Total	6,623	100.0%

Source: Wisconsin Department of Children and Families
Division of Safety and Permanency/Bureau of Program Integrity/Research Unit
September 2009



THE STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND FAMILY SERVICES
DIVISION OF CHILDREN AND FAMILY SERVICES

Facility No.
1004062

RESIDENTIAL CARE CENTER FOR CHILDREN & YOUTH
LICENSE

OCONOMOWOC DEVELOPMENT TRAINING CENTER OF WI, LLC
36100 GENESEE LAKE ROAD
OCONOMOWOC, WISCONSIN 53066

is licensed to operate a
Residential Care Center for Children & Youth known as

ODTC - MAIN
36100 GENESEE LAKE ROAD
OCONOMOWOC, WISCONSIN 53066

Maximum Capacity: 99
Ages of Children Served: 04 years through 17 years
Gender of Children Served: Male and Female
Specialized Program(s): Respite Care, Short-Term Care

ORIGINAL LICENSE DATE: March 12, 1975
CORRECTED: May 13, 2004

HELENE NELSON Secretary
DEPARTMENT OF HEALTH & FAMILY SERVICES

This license is effective unless revoked, suspended or voluntarily surrendered. The Letter of Transmittal is incorporated herein. Any and all exceptions and stipulations or conditions to this license shall be posted near the license certificate.

This license is granted under the pertinent provisions of Section 48.60 through 48.77 of Wisconsin Statutes.

To determine the current status of this license or to file a complaint regarding this facility, please contact:
Bureau of Regulation and Licensing
Southeastern Regional Office
141 NW Barstow St, Rm 104
Waukesha WI 53188
Phone: (262) 521-5100



Legislative Fiscal Bureau

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May 27, 2009

Joint Committee on Finance

Paper #215

Child Welfare Provider Rate Regulation (DCF -- Children and Families)

[LFB 2009-11 Budget Summary: Page 137, #7]

CURRENT LAW

If it is determined that a child cannot remain safely at home, the child is removed from the home and placed in out-of-home care. Out-of-home care includes children in foster homes, treatment foster homes, group homes, residential care centers (RCCs), children living with a relative under a court order (court-ordered kinship care), and other placements, such as short-term placements in secure detention facilities or hospitals.

Group homes and RCCs are more restrictive out-of-home care placements than foster homes or treatment foster homes. Group homes provide care and maintenance for five to eight children, not including children of minors. RCCs provide treatment and custodial services for nine or more children, youth, and young adults up to 21 years of age. Placement into an RCC must be made before the child reaches age 18, and the child generally must have some type of disability such that they are not capable of caring for themselves to remain in an RCC after age 18.

Each incorporated group home and RCC establishes its payment rate and is required to charge every user the same rate, unless a particular county uses 75% of the beds in the facility. Such counties may negotiate a rate with the group home or RCC provider. The rates are published by the Department of Children and Families (DCF) annually to ensure that each county and tribe is aware of the agencies' rates and that each county and tribe is charged the same rate. In calendar year (CY) 2009, the average incorporated group home daily rate is \$197.68, ranging from \$106.73 per day to \$335.01 per day. The average RCC daily rate in CY 2009 is \$323.63, ranging from \$204.07 per day to \$885.29 per day.

In CY 2008, there were 126 regulated group homes serving 929 children. There were 36 RCCs serving 1,374 children.