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GRIGSBY

Wisconsin State Representative
18th Assembly District

Member, Joint Committee on Finance
Chair, Committee on Children and Families

Testimony before the
Assembly Committee on Children and Families and the
Senate Committee on Children and Families and Workforce Development
March 3rd, 2010
AB 780/SB 567

Good afternoon. I would like to thank Senator Jauch for agreeing to hold a joint hearing on AB 780 and SB 567 which are a result of the Joint Legislative Council Special Committee on Child Welfare Provider Rate Implementation. Senator Jauch and Representative Kestell served with me on that Committee and I want to thank both of you for service to that Committee and your work in developing this legislation. I know Linda Hall from the Wisconsin Association of Family and Children's Agencies will be testifying shortly and I'd like to thank her for her service on the Committee as well.

The 2009-2011 Biennial Budget Act created a new process for establishing payment rates for services provided by child welfare providers, which include residential care centers, group homes, and treatment foster homes. As part of that process, the Budget Act required the Joint Legislative Council to study the implementation of this new payment system. The Special Committee on Child Welfare Provider Rate Implementation was established by the Joint Legislative Council in response to that requirement.

The Special Committee met five times from September, 2009 to January, 2010. Throughout the course of the committee's deliberations, witnesses shared information that pointed to strengths and weaknesses in Wisconsin's current out-of-home care continuum. The committee determined that the design of a new child welfare rate-setting methodology presents an opportunity to preserve what is working and to promote positive change in areas in need of improvement. In addition, the committee identified a number of related policy issues that impact child welfare funding and system operations that are beyond the scope of the committee's charge, yet worthy of future study.

To that end, the bill recommended unanimously by the Special Committee creates a performance-based contracting system for group homes, residential care centers, and child welfare agencies that will be implemented over a three-year period beginning January 1, 2011. The Department of Children and Families will report to the Legislature in November on proposed outcome-based measurements that it will pilot beginning in January, 2011. The system will be tested and perfected between 2011 and 2013, with statewide implementation in January of 2013. The goal of this new payment system is to promote accountability for agency performance by developing performance-based contracting measures that ultimately connect outcomes to agency compensation.

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The bill also makes some changes to the rate regulation structure established in the budget act, such as including health care cost increases and accreditation status of a provider in establishing a rate; allowing a provider to appeal if the provider disagrees on the rate decided by DCF after a mediation process; and allowing providers to keep a greater percentage of any year-end budget surplus, to enable them to invest in improvements to care.

I believe that this legislation will set in motion a process that will give us a clearer picture of the types of programs that are the most successful in delivering positive outcomes for this fragile group of children. At the same time we will be able to ensure that especially in these tough economic times we are spending our state resources in the most cost effective manner possible.

I am happy to answer any questions you may have.

Jim Doyle
Governor

Reggie Bicha
Secretary

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TO: Senate Committee on Children and Families and Workforce Development
Assembly Committee on Children and Families

FROM: Dondieneita Fleary-Simmons, Department of Children and Families

RE: SB 567/AB 780 re: Rate Regulation

Members of the Committee, thank you for the opportunity to testify today. We greatly appreciate the time that members of this committee and the Legislative Council committee have put into developing legislation to ensure the smooth and effective implementation of the rate regulation system. DCF participated on the Legislative Council committee on rate regulation that developed the legislation, including provisions of the bill regarding the addition of certain factors for consideration for a provider's rate setting, the exemption from the reserve limits for child welfare residential care providers, and the appeals process for provider rate decisions.

An important provision in this bill is the statutory direction to implement performance based contracting with residential care providers. The move toward performance based contracting is consistent with the goals of the Department in improving the rate regulation process and ensuring quality care for children. However, it is a major new project that will take additional resources to be implemented effectively. The Department will be challenged to implement the performance based approach with the resources currently available.

It is important that the resources to implement the performance based approach be addressed as part of the legislation, as work will need to begin in the next state fiscal year to achieve the outlined time frames for implementation. We applaud the efforts of the committee but ask that due consideration be given to addressing the resource needs as part of the bill.

Thank you for you time and your commitment to improving the lives of the children and families of Wisconsin.

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Linda A. Hall
Executive Director

TO: The Honorable Members of the Assembly Committee on Children and Families and the Senate Committee on Children and Families and Workforce Development

FROM: Linda A. Hall, Executive Director

DATE: March 2, 2010

RE: Support for Assembly Bill 780/Senate Bill 567 - Recommendations of the Legislative Council Study Committee on Child Welfare Provider Rate Implementation

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The Wisconsin Association of Family & Children's Agencies (WAFCA) requests your support for Assembly Bill 780/Senate Bill 567 advanced by the Legislative Council Study Committee on Child Welfare Provider Rate Implementation.

WAFCA represents over forty private for-profit and nonprofit agencies that provide mental health, education and social services to people in need. Our members' services include child welfare programs; family, group and individual counseling; chemical dependency treatment; crisis intervention; and outpatient mental health therapy, among others.

We appreciated the opportunity to participate as members of the Legislative Council Study Committee and to engage policymakers and other stakeholders in a conversation regarding the potential impact of the rate regulation changes enacted as a part of the state budget. We believe that both the non-legislative and the legislative recommendations advanced by the Study Committee will promote availability of the quality, individualized services that we all expect for Wisconsin's children and families touched by our out-of home care system.

While the statutory changes proposed in AB 780/SB 567 are relatively modest in scope, they are important clarifications essential to the implementation of the new rate-setting system approved in the 2009-11 Biennial Budget. These statutory changes include:

- **Rate setting factors.** AB 780/SB 567 adds two factors to the list of statutory factors that DCF must consider when setting provider rates.
    - *Health Care CPI.* Health care has been a major cost driver for private child welfare agencies and standard CPI does not adequately capture the impact of health insurance inflation on provider rates.
    - *Accreditation.* If the objective of state rate setting is to improve the quality of services being provided, then the state should incentivize accreditation as a means to promote best practice standards in child welfare services.
- **Rate setting advisory committee.** AB 780/SB 567 creates an ongoing rate regulation advisory committee to ensure stakeholder input in rate setting in future years. While DCF

has stated its commitment to continue the rate setting advisory committee after the completion of the drafting of administrative rules this year, establishing the advisory committee and required membership in statute will guarantee appropriate input in future years, under future administrations.

- **Right to appeal.** AB 780/SB 567 would ensure that providers have access to the state ch. 227 appeals process should a provider find that there is cause to appeal following rate negotiation and mediation with the Department.
- **Agency reserves.** By statute, nonprofit child welfare agencies may retain up to 5% of revenue that exceeds program cost in any given year and up to 10% on a cumulative basis. Historically, the purpose of the reserve allowance was to provide a means for providers to fund past and subsequent losses and to fund new program development. In addition, the revenue limit was intended to protect purchasers from excessive rates as providers set their own daily rate. Under the new rate setting system, providers will be subject to the rates set by DCF, which mitigates the need for the revenue limit and renders the annual program reserve review process unnecessary and inefficient for both purchasers and providers. Also, as the state moves to performance-based contracting, the 5% annual revenue cap undermines the financial incentives inherent to a performance-based payment system. The bill eliminates the 5% reserves limitation for the annual contract period and maintains the current 10% cumulative limit.
- **Timeline for implementing performance-based contracting.** The bill sets Wisconsin on a path toward performance-based contracting for child welfare services providers by laying out some initial steps to begin today and culminating in full implementation in 2013. The timeline and goal that the Study Committee has proposed will provide adequate time for the state, counties and provider agencies to identify and track performance goals and, in the end, promote more effective delivery of service and accountability for outcomes.

Thank you for affording us the opportunity to engage in a dialogue with other stakeholders and legislators on the issue of child welfare provider rate setting, which has many implications for the future of Wisconsin's child welfare continuum of care. We look forward to continuing our collaborations with policymakers as we seek to build a system financing structure that links reimbursement to quality services and measurable outcomes.

Please contact us if you have any questions regarding AB 780/SB 567and thank you for your consideration and support.