



INDEPENDENT FISCAL OFFICE

February 27, 2020

The Honorable Karen Boback
Room 41-B, East Wing
P.O. Box 202117
Harrisburg, PA 17120-2117

The Honorable Joseph Petrarca
220 Irvis Office Building
P.O. Box 202055
Harrisburg, PA 17120-2055

Dear Representatives Boback and Petrarca:

This letter responds to your request for an analysis of child welfare program funding in Pennsylvania from federal, state and local sources. Specifically, your letter requests a fiscal analysis of the federal Family First Prevention Services Act (Family First). Family First provides new federal funding for certain evidence-based prevention services, but limits federal funding for congregate foster care placements. In addition, your letter raised particular areas of concern related to the implementation of Family First including (1) the Commonwealth's current reliance on congregate placements, (2) county participation in the Title IV-E Waiver Demonstration Project, (3) the possibility of reliance on other federal funding streams, apart from Title IV-E and (4) possible access to transition funding for programs still under consideration for inclusion in the Family First Clearinghouse.

This letter transmits the preliminary results of our analysis as background for Committee members in preparation for the Department of Human Services House Appropriations Committee budget hearing scheduled on March 4, 2020. To the extent that a more comprehensive analysis is needed, we will transmit any additional information within four weeks of the conclusion of the Fiscal Year 2020-21 budget hearings. If this schedule changes, we will contact your office.

Child Welfare Program Funding in Pennsylvania

For state fiscal year (SFY) 2017-18, child welfare program spending reported through the Act 148 invoices in Pennsylvania totaled \$1,828.3 million and was funded by a combination of state, local and federal funding streams as shown in the following table.

Funding Source	SFY 2017-18 Amount	Percent
State Funding	\$1,077.5	59%
Local Share	\$363.8	20%
Federal Funding	\$352.5	19%
Other	\$34.5	2%
Total	\$1,828.3	100%

Note: Dollar amounts in millions.

There are several sources of federal funding available to states for child welfare program services. Title IV-E of the Social Security Act, the largest source of federal funding, covers foster care programs, adoption assistance, guardianship assistance (including kinship guardianship assistance), services for older youth aging out of foster care and the Title IV-E waiver demonstration projects. The Title IV-E waiver programs, which expired in federal fiscal year (FFY) 2019, allowed states more flexibility to use federal funds for family and other services not authorized under the traditional foster care program (e.g., prevention services).

Title IV-B provides a separate stream of federal funding for state and local programs that can largely be used for child protective services, family support, family preservation, time-limited family reunification and adoption promotion and support.

The federal Temporary Assistance to Needy Families (TANF) and Social Services Block Grant (SSBG) programs provide flexible funding sources that can be used by states to provide prevention, intervention and social services for children who are not eligible for Title IV-E funding. TANF funding covers assistance to eligible families to enable children to be safely cared for in their own homes. SSBG funding can be used for services to protect children from neglect, abuse and exploitation.

For child welfare program purposes, federal Medicaid funding covers administrative costs associated with health care and mental health services for eligible children and youth in foster care. Some county child welfare agencies may also receive Medicaid payments when they are approved Medicaid providers; these funds are passed on to foster families to support medically fragile children. Federal and state funding for foster youth health care services, as well as services for former foster youth up to age 26, are included in the state's Medical Assistance program appropriations.

For SFY 2017-18, federal funding for child welfare program services totaled \$352.5 million as detailed in the following table (See next page).

Federal Funding Source	SFY 2017-18 Amount
Title IV-E (excluding waivers)	\$187.2
Title IV-E Waiver Demonstration Program	\$85.2
Title IV-B	\$8.4
TANF	\$58.5
SSBG	\$12.0
Medicaid (administrative costs only)	<u>\$1.3</u>
Total	\$352.6

Note: Dollar amounts in millions.

Overview of Family First Prevention Services Act

The Family First Prevention Services Act of 2018 shifts Title IV-E federal funding to prevention-based services for children and families who are at risk of foster care placement and for pregnant or parenting foster youth. At the same time, the Act incentivizes states to reduce placement of children in congregate care by curtailing the use of federal funds for congregate care beyond 14 days with limited exceptions.

Federal funding shifts to the Family First payment model on October 1, 2019, but states were permitted to request up to a two-year delay of the effective date of the congregate care reimbursement limitation. The use of Title IV-E funds for prevention services is an option in the law and the earliest a state can opt in is tied to the effective date of the congregate care reimbursement limitation selected by the state. To opt-in to the Title IV-E Prevention Program, states must submit a State Plan that meets U.S. Department of Health and Human Services (U.S. HHS) requirements and receive approval. Currently, DHS is targeting October 1, 2020 as the Pennsylvania effective date for the congregate care reimbursement limitation and the opt-in date for the Title IV-E Prevention Program. As of February 2020, 11 states have submitted a State Plan and four states (Arkansas, District of Columbia, Maryland and Utah) have approved plans.

The table below provides an overview of the potential fiscal impacts associated with the first three years of implementation of Family First. These impacts are discussed in more detail in the sections that follow.

Potential Fiscal Impact	Federal Fiscal Year		
	2021	2022	2023
Additional federal funding for prevention services	\$3.2	TBD	TBD
Reduced federal funding for congregate care	-\$32.6	-\$44.7	-\$46.6
Waiver program expiration-transition funding	TBD	TBD	TBD
Delay in adoption assistance for children under 2 years	-\$0.2	-\$0.2	-\$0.2
Family First one-time transition funding	\$16.8	\$0.0	\$0.0

Note: Dollar amounts in millions. Assumes October 1, 2020 implementation. The estimates are preliminary and based on discussions with the department. DHS may update the estimates as more information becomes available. On a state fiscal year basis, the additional funding for prevention services is estimated at \$2.4 million and the reduced federal funding for congregate care is estimated at -\$24.5 million in SFY 2020-21.

Prevention Programs

Under Family First, certain trauma-informed and evidence-based prevention services provided to children and families become eligible for federal reimbursement. Federal reimbursement for prevention services is provided at a 50 percent match until 2026, and then at the state's Federal Medical Assistance Percentage (FMAP) for 2027 and beyond. Prevention services newly eligible for federal funding include mental health services, substance abuse services, and in-home parenting skill programs.

The Act requires the U.S. HHS to create a Clearinghouse for evidence-based practices. The most effective programs are rated as well-supported, while other programs that demonstrate positive effects are rated as supported or promising. In order to receive Title IV-E funding, the Act requires that 50 percent of state spending for prevention services must be for programs that have a well-supported rating in the Clearinghouse. As of February 2020, 13 programs have been added to the Clearinghouse. The Family First Transition Act (2019) temporarily suspends the 50-percent requirement until FFY 2022, when the requirement begins to phase in. In FFY 2024 and beyond, states must meet the original requirement that 50 percent of expenditures are used for well-supported programs.

While increased federal funding is available for prevention services, states must demonstrate maintenance of effort (MOE) after opting into Family First. The MOE amount is determined based on the FFY 2014 level of state and local expenditures on the evidence-based programs included in the Clearinghouse when the State Plan is submitted for approval.

For the first year of implementation, the department estimates that an additional \$3 to \$4 million can be drawn down in federal funds for prevention services after accounting for the MOE requirement. Growth in federal reimbursement for prevention services is unclear because it depends on the number of programs added to the Clearinghouse each year.

Implementation issues to monitor:

- *Will Pennsylvania be ready to opt in to Family First as of October 1, 2020?* The state may adjust the opt-in date to any time prior to October 1, 2021 based on whether the state and county infrastructure is in place to implement required changes.
- *How will DHS define candidates for prevention services based on imminent risk of foster care placement?* Each state must determine which trauma-informed and evidence-based programs will be included in the State Plan submitted to U.S. HHS for approval. How broadly states define eligibility for prevention services also increases requirements for counties to develop case management plans for each eligible child. DHS expects to issue policy guidance to define candidacy for prevention services by May 2020.
- *How quickly can additional evidence-based programs be added to the Family First Clearinghouse?* The 13 evidence-based programs currently included in the Family First Clearinghouse do not cover many of the prevention services currently provided by counties in Pennsylvania. The rate at which additional evidence-based programs are reviewed and approved by the U.S. HHS to be added to

the Clearinghouse will determine how much additional federal funding may be available for prevention program services each year.

- *Will Pennsylvania meet the state-wide requirement to spend 50 percent of all prevention funding on evidence-based programs rated well-supported?* The requirement that 50 percent of expenditures be used for well-supported programs poses a challenge for states with a county-administered system. In order to draw down federal dollars, the state and counties will have to coordinate to ensure that the 50-percent requirement is met on a statewide basis. The reporting of expenditures for federal reimbursement can be lagged up to eight quarters, which means that the final determination of federal funding eligibility may not be known for up to two years. The delay of the phase in to the 50-percent requirement until FFY 2024 will allow the department and counties more time to prepare for full implementation of Family First.
- *How much maintenance of effort will Pennsylvania be required to pay before federal dollars can be drawn down for prevention services?* DHS currently estimates that the state's MOE will be \$1.3 million based on the evidence-based programs currently included in the Family First Clearinghouse. The final MOE amount will be based on the evidence-based programs included in the Clearinghouse at the time the state opts in to Family First.
- *Will Pennsylvania qualify for transition funding for programs under consideration?* Transitional funding is available for non-rated prevention programs until the time that the U.S. HHS can review and rate the programs to determine if they should be added to the Clearinghouse. To receive the transitional funding, documentation including independent systematic reviews of the prevention services and programs must be submitted to U.S. HHS by October 2021 and the programs must be included in the State Plan.

Congregate Care

Family First disallows federal reimbursement for congregate care placement settings longer than 14 days for new placements beginning October 1, 2019 or later if the state requests a delayed effective date. However, the Act makes an exception for Qualified Residential Treatment Programs (QRTPs) that meet certain requirements such as a trauma informed treatment model, engagement with the child's family in the treatment plan, and licensing and accreditation.

Additional exceptions from the congregate care federal funding limitation include facility placements for pregnant and parenting youth, supervised independent living for those 18 years and older, and youth that are at-risk of becoming victims of sex trafficking. DHS has issued a bulletin to provide guidance to child residential facilities and supervised independent living (SIL) programs that want to become certified to provide these specialized services and qualify for Title IV-E foster care maintenance payments. Administrative costs remain federally reimbursable for congregate care settings.

In FFY 2019, 3,806 children entered a congregate care setting, which include group homes, residential treatment facilities, psychiatric residential treatment facilities, and supervised independent living settings. The number of placements in these settings has been decreasing for several years, and this trend is expected to continue into the future. For FFY 2021, the department has estimated that 3,257 children will enter

congregate care settings. The following table provides a summary of the number of children entering in congregate care by type of placement setting.

Number in Placement Setting	Federal Fiscal Year				
	2017	2018	2019	2020	2021
Group Home	2,385	2,320	2,112	1,999	1,863
Institutional Setting	1,748	1,609	1,457	1,314	1,168
Supervised Independent Living (<18)	83	79	81	79	78
Supervised Independent Living (18+)	<u>163</u>	<u>156</u>	<u>156</u>	<u>151</u>	<u>148</u>
Total Congregate Care	4,379	4,164	3,806	3,543	3,257
Growth		-4.9%	-8.6%	-6.9%	-8.1%

Note: Data for 2020 and 2021 are estimates.

The maximum annual loss of federal funding associated with the Title IV-E reimbursement limitation for congregate care under Family First is estimated at \$47 million. In practice, it is expected to take up to four years to realize the full annual fiscal impact because the federal reimbursement limitation does not apply to children and youth already in congregate care at the time the state opts in to Family First. The following table provides estimates of the potential impact by state fiscal year. The state and county shares of congregate care expenditures that no longer qualify for federal reimbursement are estimated at 78 percent and 22 percent, respectively.

Impact by Year	Federal Title IV-E Funds	State Share	County Share
SFY 2020-21	-\$24.5	\$19.1	\$5.4
SFY 2021-22	-\$41.7	\$32.5	\$9.2
SFY 2022-23	-\$46.1	\$36.0	\$10.1
SFY 2023-24	-\$46.9	\$36.6	\$10.3

Note: Dollar amounts in millions. Assumes October 1, 2020 effective date. The estimates are preliminary and based on discussions with the department. DHS may update the estimates as more information becomes available.

These estimates assume that SIL programs for former foster youth over 18 years of age will continue to qualify for Title IV-E federal reimbursements. To the extent that counties qualify for additional federal reimbursements for children and youth receiving specialized services (e.g., pregnant and parenting youth, youth affected by sex trafficking), the fiscal impact associated with the loss of congregate care funding would be reduced. However, any additional federal funding could also be offset by increased costs providers may pass on to counties as a result of the certification requirements outlined in the DHS bulletin on specialized settings.

Implementation issues to monitor:

- *Will Pennsylvania be ready to incorporate the funding limitation included in Family First as of October 1, 2020?* The state may adjust the opt-in date to any time prior to October 1, 2021 based on whether the state and county infrastructure is in place to implement required changes.
- *Will Pennsylvania adopt the QRTP model of congregate care?* DHS has decided not to pursue the Family First QRTP model. The QRTP level of care is substantially similar to the care currently provided in residential treatment facilities (RTFs) and psychiatric residential treatment facilities (PRTFs) for children and youth in foster care. From a financial perspective, it is expected that the QRTP model would increase state and county costs because the investments needed to meet the QRTP requirements would likely exceed any potential federal reimbursements.
- *How many child residential facilities or SIL programs will submit applications to provide specialized services for pregnant and parenting youth, youth transitioning to adulthood and youth affected by sex trafficking?* DHS issued guidance to agencies currently providing or seeking to provide these specialized services for children and youth served by the county child welfare system. Applications are due March 15, 2020 for providers interested in obtaining certification prior to the October 1, 2020 implementation of Family First in Pennsylvania.

Waiver Demonstration Program

The Title IV-E Waiver Demonstration Program was a program designed for states and counties to implement innovative child welfare programs. Nationally, 11 out of 50 states and the District of Columbia participated in the waiver program. In Pennsylvania, six out of the 67 counties participated in the waiver program through FFY 2019, when the program expired. Philadelphia County left the waiver program one year early due to increases in children entering the foster care system, which strained the capped waiver funding.

The Family First Transition Act (2019) provides federal funding for states that experience a 10 percent or larger loss of funds in the first year of the transition and 25 percent or larger loss of funds in the second year as a result of the expiration of the waiver programs.

County	Federal Fiscal Year						
	2013	2014	2015	2016	2017	2018	2019
Allegheny	\$11.4	\$44.2	\$42.9	\$41.7	\$40.5	\$39.4	\$56.6
Crawford	0.0	0.9	3.4	3.3	3.2	3.1	4.5
Dauphin	2.5	9.5	9.2	8.9	8.6	8.3	12.0
Lackawanna	0.8	3.3	3.2	3.2	3.1	3.0	4.3
Philadelphia	34.5	133.0	128.6	124.4	120.5	112.5	0.0
Venango	<u>0.4</u>	<u>1.5</u>	<u>1.4</u>	<u>1.4</u>	<u>1.3</u>	<u>1.3</u>	<u>1.9</u>
Total	49.6	192.4	188.7	182.8	177.2	167.8	79.2

Note: Dollar amounts in millions. Amounts include maintenance and administrative allocations before FMAP and federal financial participation (FFP). Crawford County began waiver program participation in FFY 2014. Philadelphia County ended waiver program participation in FFY 2018.

Implementation issues to monitor:

- *Will Pennsylvania qualify for any federal transition funding on the basis of the expiration of the waiver funds?* Pennsylvania renegotiated the capped maintenance and administrative allocations (federal share) of the county waiver programs. The amount of any transitional federal funding will depend on whether U.S. HHS uses the renegotiated caps to determine if the state experiences a 10/25 percent or larger loss of funds resulting from the expiration of the waiver programs.

Adoption Assistance

The Fostering Connections to Success and Increasing Adoptions Act of 2008 gradually removed income tests for federal adoption assistance payments. The removal of income tests began with teenagers and were expected to extend to newborns in 2019, but the Family First Act temporarily halted the process for children under two years old until June 30, 2024. In July 2024, all income tests will be removed for adoption assistance payments. The delay in adoption assistance for children two years old and younger due to Family First is estimated at \$0.2 million for FY 2020-21.

Transition Funding

To facilitate the transition to Family First, Pennsylvania is anticipated to receive \$16.8 million in one-time transitional funds in summer 2020. Potential uses for the transitional funds include, but are not limited to:

- Provide grants to counties in conformance with administrative guidance
- Recruit and retain foster families
- Recruit and retain county and local agency staff providing child welfare services
- Invest in the statewide child welfare case management system
- Fund studies for programs without evidence-based ratings to be added to the Clearinghouse
- Fund other state and county infrastructure needs related to Family First implementation (e.g., assistance with residential facility requirements to achieve certification as a specialized setting for children and youth).

The transition funding amount is not guaranteed and there are many uses for the funding, so this issue should be monitored going forward.

I hope this information is useful. If you have any further questions regarding this topic, please do not hesitate to contact me (717-230-8293). Per the policy of the IFO, this letter will be posted to the office website three days after transmittal to your office.

Sincerely,



Matthew J. Knittel
Director, Independent Fiscal Office