

**JOIN HANDS FOR CHILDREN**  
**MINUTES FROM ADVISORY COMMITTEE ON FINANCIAL ISSUES**  
**July 15, 2010**

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**Members Present:** Carole Holland and Sharon Osborne

**Staff Present:** Julie Dunnington, Melissa Takade, and Benjamin Berres, Partners for Our Children; Jennifer Strus, Washington State Senate Human Services and Corrections Committee; David del Villar Fox, DSHS Children's Administration

**Others:** Jack Dyer and Charlotte Booth, Institute for Family Development; Mike Laederich and April Stallings, Comprehensive Mental Health Services; Danny Howe, Children's Home Society of Washington; Krista Goldstine-Cole, Senate Democratic Caucus; Roberta Nestaas, Lutheran Community Services; Stephanie Lee, Washington State Institute of Public Policy; Trudy Marcellay, DSHS OIP; Dan Ashley, Rich Pannkuk, and Rene Newkirk, DSHS Children's Administration/Finance; Michael Bezanson, Senate Ways and Committee staff (on phone)

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Co-chair Carole Holland called the meeting to order and requested that meeting attendees introduce themselves.

Julie Dunnington and Ben Berres of Partners for Our Children (POC) gave an update on the statewide assessment. Ben Berres is developing the survey and gave a draft to national performance-based contracting consultants Charlotte McCullough and Tony Broskowski for input. He is incorporating their comments and will send the draft on to project lead Susan Barkan of POC. Ben Berres will also seek advice/input from Transformation Design Committee (TDC) private provider members. Social Development Research Group (SDRG) at the University of Washington School of Social Work will convert the survey into a web-based format and compile the data. Ben Berres estimates that the survey can be administered within a month. Children's Administration (CA) will supply a list of contractors (approximately 825) to whom the survey link can be sent.

The survey will be constructed so that single proprietors can skip over non-applicable questions; it can also be saved so it can be returned to later. Telephone follow-up calls will be conducted to get as many responses as possible. Institutional Review Board approval will also be sought (as part of the University of Washington's protocol). Julie Dunnington is hopeful that POC can have data by mid-September, with the written report coming a few weeks after that.

There were recent, extensive surveys of birth parents and social workers that provided a great deal of information regarding what services are being offered, where there are gaps, what programs are needed but there are no resources, etc. that will be overlaid over the assessment. For the next meeting, POC will bring copies of these studies.

The committee moved on to the next topic, an update from CA regarding the progress toward building a financial model. Rich Pannkuk reviewed his handout, which showed a budget breakout by service/description, number of FY10 contracts for each service and FY10 allotment dollars. This budget represents dollars allotted, not necessarily dollars available for performance-based contracts (PBC's).

The next steps are to identify the dollar amount available for PBC, and which contracts are eligible for PBC (for example, adoption support/maintenance payment money wouldn't be available for PBC). For the next meeting, Rich Pannkuk will bring a correlation of number of children to dollars (case rate). A question was brought up regarding provisos and if they can

work in master contracts. Early indications are provisos are contradictory to master contract goals, but the issue needs to be worked out. Rich Pannkuk will also indicate where the provisos are in the budget for the August meeting's handout.

Rich Pannkuk's group is working with national consultant, Tony Broskowski, to develop a payment model and it was decided to move forward with a case rate in the first year. However, since the first year is the most risky because of the state's lack of experience, there's been a discussion to set up a risk corridor to share in the risk of acute cases. A risk corridor is a hold back on an agreed-upon amount for acute cases. For the second year, it would be a case rate without risk corridor. Tony Broskowski is helping to develop the risk corridor. Rich's group is pulling financial information for Tony and will give him the information next week. A corridor model should be finished by the end of July or first week of August; Rich Pannkuk will share this model with the group. He also mentioned that Tony Broskowski has a program that would be useful in help determining start-up costs for providers.

POC will try to get Tony Broskowski to participate at the next meeting by phone.

Julie Dunnington shared some lessons learned from other states regarding their conversion to PBC. The first lesson had to do with the risk corridor – for one state, providers were hesitant to set up a risk corridor because there was a fear that funds wouldn't be available and wouldn't be distributed fairly. They found out later that they needed the risk corridor in order to recalibrate in the early phase.

In addition, Florida didn't have a good reporting mechanism with their master contractors so the state lost out on millions of federal reimbursement. Appropriate reporting mechanisms must be in place.

There was a question regarding performance payments; initial thinking is they would be in addition to the risk corridor, but it hasn't been concretely decided. The first-year incentives can be simple, since building the baseline in the first year is critical. However, the danger is in eroding the baseline.

A question was asked about the state providing start-up funds. According to the state constitution, the state can't lend state credit or give public funds. Private agencies would need to look to private philanthropy.

There was a brief update regarding the state budget. The likelihood of the state getting a federal Medicaid match is dwindling; will have a better idea after the August recess. One option the governor is contemplating is an across-the-board reduction. Basic education is exempt, so Health and Human Services/Corrections would bear 71 percent of what the reduction needs to be. Wouldn't be able to implement an across-the-board reduction for all services without going back to the Legislature for authority (there are statutory requirements to deliver services).

There was a question regarding Behavior Rehabilitation Services money and how much of that is federal money. Rich Pannkuk said that of the \$64M BRS, \$17M is Medicaid Title XIX and about \$3M is Title IV-E.

There was more discussion around funds; specifically, reinvestment and a phenomena where foster care caseload is dropping, but the cost of foster care is rising (because of treatment issues, behavioral issues, etc.). Rich Pannkuk's group at some point will be able to identify the number/percentage of children being served.

There was a question regarding unpaid foster care and if MC's will have to deal with this. This issue still needs to be discussed. CA is still responsible for working out the placement (i.e., relative search). The issue might be a moot point in Phase I, but more of an issue in Phase II.

The committee reviewed the preliminary service array and definitions documents developed by the Legal and Practice Issues Advisory Committee. Carole Holland asked for clarification regarding what the MC's responsibilities were versus the state's with respect to the services (i.e., 24/7 capacity). Julie Dunnington clarified that the document was initially developed for Phase I or II, knowing that some of the services might come out for Phase I.

Carole Holland requested a process flow (tracking from when a child enters the system) with roles and responsibilities (in order to try to establish a recommendation on case rate). CA is working on this process now and will have it for the next meeting. Carole Holland also suggested getting baseline information (what is currently being done).

Some of the providers present at the meeting expressed hope that CA would help facilitate discussions between providers and some of the "other" services listed in the preliminary service array (i.e., housing, food banks, etc.).

There was discussion regarding the possibility of tribes (1) choosing not to provide services, (2) stepping up to become "MC's", pending more information from CA, or (3) continuing with the intergovernmental agreements, but holding to the outcomes. It was pointed out that many times a Native American child would be served through subcontract; would this be part of the MC subcontract or is it a separate contract? The issue still needs to be worked through.

There was also a question regarding possible carve-outs for the tribes, and which resources would go with those carve-outs. This subject still needs to be discussed.

A question was brought up about how much flexibility MC's will have with federal funds. For the next meeting, CA will bring a document of what Title IV-b and other federal funds buy.

The next meeting is set for August 23, 9:00 a.m. to noon, Lutheran Community Services Northwest/Angle Lake Community Services Building (ALCSB), 4040 S. 188th St., SeaTac, WA 98188.

The meeting was called to a close.