

**JOIN HANDS FOR CHILDREN**  
**MINUTES FROM ADVISORY COMMITTEE ON FINANCIAL ISSUES**  
**September 28, 2010**

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**Members Present:** Carol Holland, Catherine Lanham, Jeanine Livingston, Danny Howe (alternate for Sharon Osborne) (on phone).

**Staff Present:** Julie Dunnington, Melissa Takade and Benjamin Berres, Partners for Our Children; David del Villar Fox, Dawn Tatman, Rich Pannkuk, Dan Ashby and Molly Elliot, DSHS Children's Administration.

**Others:** Melissa Palmer, House OPR; Sandi Triggs, OFM; Jack Dyer, Institute for Family Development; Rommel Buenafe, Marilyn Detrick and Mary Farrell, Children's Home Society of Washington; Marna Miller and Stephanie Lee, Washington State Institute of Public Policy; Charles Shelan and Wendy Tanner, Community Youth Services; Roberta Nestaas and Dan Evans, Lutheran Community Services; Sheila Huber, Attorney General's Office; Michael Bezanson, Senate Ways and Means; Doug Crandall, Catholic Community Services of Western Washington.

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**Welcome and Introductions:** Carole Holland, co-chair to the Advisory Committee on Financial Issues, welcomed the advisory committee and audience. The meeting attendees introduced themselves and the agencies for which they represent.

**Insurance Liability Coverage:** Carole Holland discussed a meeting she coordinated between the Attorney General's Office and OFM's Risk Management department regarding liability issues pertaining to master contractors. She said they determined that providers would need to name DSHS as an additional insured. They also floated some ideas for rates for limits: \$5M per occurrence/\$10M in aggregate. The committee members felt that the jump from the mandatory \$1M per occurrence to \$5M per occurrence seems unduly steep, particularly when master contractors are not responsible for case management. Carole Holland also mentioned that they were thinking that subcontractors should have liability coverage: \$3M per occurrence/\$5M in aggregate. She was concerned that if CA expects that level of coverage for smaller providers, it would discourage small providers from participating in service networks. Meeting attendees commented that mental health uses a \$3M/\$5M standard. Doug Crandall of Catholic Community Services of Western Washington reiterated comments offered by Steve Hassett in previous Child Welfare Transformation Design Committee (CWTDC) meetings: the deepness of MC case-related involvement in Part I of 2106 is not likely to increase, but MC involvement in an increased total number of cases would increase. This increases exposure in a different type of way than if MC's were also responsible for case management. The exposure arising from increased involvement in a larger number of cases is more likely to increase organizations' legal costs and has fewer implications for the quantity of insurance coverage required.

Carole Holland said that they still need to find out (1) if the liability coverage is available; (2) if existing insurance carriers can provide this coverage; and (3) how much reserves providers must have access to, if and when they need to pay a deductible. Roberta Nestaas asked whether a line of credit would suffice for reserves.

Children's Home Society representatives said that their insurance providers, Kibble and Prentiss, offered to give a presentation on price/liability/coverage to potential master contractors. Carole Holland thought this would be helpful and suggested that the legislative staff also attend. Jeanine Livingston said that there is likely to be someone in the Insurance

Commissioner's Office who could provide supplemental information to this presentation. Julie Dunnington asked when this meeting should occur. Carole Holland said that sooner is better than later. Carole Holland pointed out that there are certain lines of business within child welfare that must carry a greater quantity of insurance coverage due to the kind of exposure that is involved. Julie Dunnington said that she would help to coordinate this. Charles Shelan offered his insurance brokers. Carole Holland felt that Kibble and Prentiss would be better. Julie asked who could talk to the Office of the Insurance Commissioner. Jeanine Livingston and Carole Holland might be able to help facilitate.

There was a question about whether the state would have approval rights to subcontractors and what level of insurance coverage subcontractors must hold. Doug Crandall pointed out that there is a difference between a subcontract relationship and vendor relationship. He said that many organizations build a provider network that also includes vendors, and that the vendor relationship doesn't necessarily guarantee them any volume of work. These organizations would still have to go through a process of credentialing and meet general qualifications to receive MC referrals. Jeanine Livingston asked about how this relationship coincides with performance based contracting. Doug Crandall responded that the master contractor is held liable to meeting performance outcomes.

**Funding Model Update:** Carole Holland asked Rich Pannkuk for a funding model update. Rich Pannkuk handed out the presentation from the previous CWTDC meeting with updated financial figures. The total money available to MCs is now \$155.6M, but this is pre-budget cut estimate. He said that things are still too preliminary to give greater details on the final payment model.

Rich Pannkuk talked about the risk corridor. He said that CA is still deciding the threshold amount at which the risk corridor would activate and the ratio that determines how risk would be shared between MCs and CA. He said that CA isn't sure whether they would withhold dollars up front, or whether they would make a supplemental budget request. He believes the risk corridor wouldn't be case specific and that it wouldn't be assessed more frequently than on an annual basis. Doug Crandall asked about whether the details on the financial model would be described in the final RFP. Dan Ashby said that some information would be in the RFP outline, but that full details would be disclosed in the final RFP. Julie Dunnington added that Tony Broskowski is visiting the Northwest later in October and will be presenting on some of these issues. Details on this meeting are still being sorted out, but the meeting will probably be held on October 21.

Carole Holland asked if there would be exceptions in the financial model for children who have exceptionally large costs. Rich Pannkuk didn't know.

Roberta Nestaas asked if the case rate would be identical from region to region. Dan Ashby said that they are investigating a considering a state-wide case-rate, but that they will have the capacity to look at the feasibility of regionally-specific case rates as well. Some meeting attendees were concerned about how substantial discrepancies from one provider to the next would lead to inequalities in payment and service provision. Charles Shelan asked about whether the data that is going into the construction of the case rate is reflective of the rates the department has paid for services, or the real service costs. Rich Pannkuk said that the CA case rate would be constructed from historical payment rates. Doug Crandall hoped that his organization would be able to aid in the definition of the benefit package in the face of budget cuts. He also hopes that CA's expectations for service provision will be extremely clear in the RFP. Carole Holland asked about the list of core services compiled by the Advisory Committee on Legal and Practice Issues and whether that was the final list of core services. Julie Dunnington replied that the list formulated by that subcommittee was an "in-a-perfect-world" list.

Rich Pannkuk said that this determination of core services is the true responsibility of CA and will be fully articulated in the RFP.

Rich Pannkuk said that CA is arranging an all day meeting on October 21. Data and Information technology will be discussed in the afternoon after the morning meeting with Tony Broskowski.

Service providers seemed appreciative of the frequency at which they will be reimbursed for services.

There was a discussion regarding the administrative rate. Rich Pannkuk said that CA is considering mandating a 10% administrative rate. Doug Crandall said that this figure is appropriate. Some providers voiced that it was low.

Dawn Tatman led a discussion on information technology. She talked about FamLink, but that there are still some things getting sorted out. Carole Holland asked how master contracts would use FamLink because, in the past, social workers would be responsible for authorizing services and this is going to change somewhat post 2106. Dawn Tatman said that the service coordinators would be entering directly into FamLink the types of services, the amount of services, and the length of services. This is the type of data CA will be looking at, but, technically, there would be a zero payout based on this information. Doug Crandall felt confident that his organization could populate FamLink data, but that they couldn't rely on a state constructed system to manage an Integrated Service System. He agreed that it would be important to have FamLink view-rights. He also doesn't think it is accurate for CA say that MCs don't need a data system. Jeanine Livingston said that providers in Florida invested in a common system. Doug Crandall asked if the data could be batched to CA daily. Jeanine Livingston supported this methodology. Another meeting attendee suggested a firewall data interchange so it could be accomplished online.

Rich Pannkuk volunteered to send out a worksheet built by Tony Broskowski that is designed to estimate start-up costs.

Julie Dunnington updated the committee on the potential meeting with Nebraska State administrators and service providers.

The meeting adjourned for the day.