Maryland Association of
Resources for Families & Youth

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget Taxation Committee
The Honorable Larry Hogan Administration

FROM: Pamela Metz Kasemeyer
Danna L. Kauffman

DATE: March 3, 2021

RE: **SUPPORT ONLY IF AMENDED** – Senate Bill 493 – *Budget Reconciliation and Financing Act of 2021*

The Maryland Association of Resources for Families and Youth (MARFY) is a statewide network of private agencies serving at-risk children and youth and advocates for a system of care in Maryland that meets the needs of children and families. MARFY is a program of Maryland Nonprofits and **supports** the passage of Senate Bill 493, **only if the legislation is amended**.

Senate Bill 493 limits the increase in rates for providers who have rates set by the Interagency Rates Committee (IRC) to 4% over the rates in effect on December 31, 2020. While MARFY appreciates the provision of a possible 4% rate increase, setting the benchmark date at December 31, 2020, fails to recognize that providers' rates were frozen at FY 2020 rates from July 1, 2020 – December 31, 2020, through an action taken by the Board of Public Works.

When the rate freeze for FY 2021 was under consideration, MARFY raised the very real struggle being faced by members to stay financially viable as they work to meet the increased needs of the children and families they serve during the COVID-19 crisis. In fact, they had previously requested that the IRC allow providers to re-submit their budget forms in order to get a revised rate which reflects the additional pressures on their budget for the duration of the current fiscal year. That request was not acted upon and made the freeze on rates at the current FY 2020 level especially egregious.

Ensuring that appropriate placements are available for children during this emergency and an expected surge of child welfare cases when schools reopen will be critical to ensure that children do not end up in prolonged hospital stays. Child welfare providers must stay financially viable as a critical part of a continuum of care for children that, if missing, places more children at risk and the child welfare system in a bind of more costly levels of care.

The Department of Human Services is currently in a crisis due to the lack of placement options. Without financial compensation to meet these new and significant challenges, coupled with historically underfunded provider rates, a number of providers have had to close their doors permanently, which has significantly exacerbated the lack of viable placements for youth in child welfare causing long-term system consequences, including increased trauma to the families and children that are most in need of services. The negative financial impact of the rate freeze cannot be overstated and has had a disproportionate impact on Black, Hispanic families and communities.

Because child welfare providers failed to get paid their FY 2021 rates for a full six months and were not paid their FY 2021 rates until January 1, 2021, tying the FY 2022 rate to December 31, 2020, will only further exacerbate the fiscal challenges of these providers. If the benefit of a 4% rate increase is to be fully realized, the date at a minimum should be tied to January 1, 2021, when their FY 2021 rates went into effect. A preferrable option would be to give all providers a 4% rate increase and not make that increase a limit of 4%, which through the current outdated rates setting methodology would not give all providers the 4% rate increase they need to meet the increased needs of the children and families they serve.

Without the requested amendment to change the date to January 1, 2021, and consideration of the application of the 4% rate increase to all child welfare providers, MARFY is unable to support the passage of Senate Bill 493.

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