SB 127

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 127 (Senator Zirkin)
Education, Health, and Environmental Affairs

Department of Education - Residential Child Care Programs - Rate Setting Incentives

This bill requires the Maryland State Department of Education (MSDE) to incorporate incentives into the rate-setting methodology for residential child care programs in order to develop programs in underserved geographic areas of the State.

Fiscal Summary

State Effect: Department of Health and Mental Hygiene (DHMH), Department of Human Resources (DHR), and Department of Juvenile Services (DJS) general fund expenditures for placements in residential child care programs would increase. The amount cannot be reliably estimated at this time. Incentives based on data about underserved geographic areas of the State could be incorporated into the rate-setting methodology with existing resources.

Local Effect: None.

Small Business Effect: Significant increase in revenues for group home providers who developed group homes in underserved geographic areas.

Analysis

Current Law: A residential child care program includes group homes, alternative living units, and emergency shelter care. A program must be licensed by DHMH, DHR, or DJS. Only one license is necessary for a provider, even if services are provided to children placed in a program from multiple State agencies. A core set of regulations establishes the “single point of entry” application process for residential child care providers and a core set of provider licensing standards. However, each department monitors the facilities they place children in differently.

MSDE administers and implements the rate-setting process for residential child care programs. DHR, DJS, the Department of Budget and Management, the Governor’s Office for Children, and DHMH participate in the development and implementation of rates in programs licensed or approved by the agencies through the Interagency Rates Committee (IRC).

Chapter 536 of 2004 required the former Office for Children, Youth, and Families (now the Governor’s Office for Children), in cooperation with DHR and DJS, to plan for and determine the cost of an objective and standardized system of outcomes evaluation for out-of-home placements used by State agencies. The Governor’s Office for Children has not yet finished its plan.

Background: IRC developed a performance-based rate methodology for residential child care programs that will be implemented when a system for outcomes evaluation is operational, as required by Chapter 536 of 2004. The new rate-setting methodology will assign new levels of intensity for all programs that will be designed to more accurately compare similar residential child care programs. IRC will use the new program groupings to compare residential child care program providers’ budgets. State licensing and monitoring agencies will assign a performance-based score to each program, which will be used to determine if the residential child care program provider receives “preferred provider” or “nonpreferred provider” status. A preferred provider will be eligible to receive rates that exceed the mean rates for that program category.

State Fiscal Effect: It is assumed that the provision of incentive funding would increase the number of available residential child care slots in areas of the State that are not currently being served. In addition, existing programs in underserved regions could receive higher rates from the State. To the extent that these effects are realized, DHMH, DHR, and DJS general fund expenditures for placements would increase. The extent of the increase as a result of existing programs in underserved regions receiving higher rates cannot be reliably estimated at this time. The costs of residential child care are borne by a number of State agencies, depending on which agency refers the child to the placement and the type of services the child needs.

The Governor’s Office for Children has launched an online directory of services for the State’s children, youth, and families. The directory is searchable by name, keyword, services offered, city, and other options. However, it is not known at this time the percentage of service providers who are listed in this directory. MSDE advises that, before establishing incentives based on geographic needs, it would need data to identify the underserved geographic areas and then determine what factors contribute to a specific geographic area as being underserved. Following that, MSDE would determine the amount of the incentive that would be provided in addition to what the IRC rate process would otherwise produce and modify its rate-setting process. This incentive would need to be set at an amount significant enough to encourage providers to develop residential child care programs in underserved areas. DJS advises that it already has identified gaps in the services it provides by type of service and region.

Small Business Effect: Small business residential child care programs operating in underserved areas could benefit from the legislation if they are paid higher rates. The bill could also encourage the establishment of new residential child care centers in underserved areas. Child care centers operating in areas that are not underserved would not benefit from the incentives and could experience increased competition from new providers.

Additional Information

Prior Introductions: An identical bill, HB 529 of 2003, passed in the House but received an unfavorable report by the Senate Finance Committee.

Cross File: None.

Information Source(s): Department of Juvenile Services; Department of Human Resources; Maryland State Department of Education; Department of Health and Mental Hygiene; *Group Homes – Performance-based Incentives Report: Report to the Senate Budget and Taxation Committee and the House Appropriations Committee*, October 31, 2006, Governor's Office for Children; Department of Legislative Services

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