

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 158 (Senator Kelley, *et al.*)
Education, Health, and Environmental Affairs

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

This bill requires the Maryland State Department of Education (MSDE) to adopt regulations by January 1, 2008 that link the rates for residential child care programs licensed by the Department of Health and Mental Hygiene (DHMH), the Department of Human Resources (DHR), and the Department of Juvenile Services (DJS) to performance-based outcomes.

Fiscal Summary

State Effect: DHR, DHMH, and DJS general fund expenditures for placements in residential child care programs would increase, but the amount cannot be reliably estimated at this time. Rates based on performance-based outcomes could be incorporated into the rate-setting methodology with existing resources. No effect on revenues.

Local Effect: None.

Small Business Effect: Potential increased revenues for group home providers who would meet the performance-based outcomes.

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 Expenditures: General fund expenditures for DHR, DHMH, and DJS would increase significantly to provide performance-based incentives for group home providers who would qualify for the incentives. The extent of the increase would depend on the number of providers achieving the performance-based goals and the amount awarded for achieving those goals, and cannot be reliably estimated at this time because the system of outcomes evaluation is not finished.

Small Business Effect: Small business residential child care programs could benefit if they receive enhanced rates due to performance-based outcomes.

Additional Information

Prior Introductions: None.

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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Analysis by: Lisa A. Daigle

Direct Inquiries to:
(410) 946-5510
(301) 970-5510