



**TEXAS**  
Department of Family  
and Protective Services

# **Foster Care Rate Modernization**

## **Semi-Annual Progress Report**

### **As Required by**

**2022-23 General Appropriations Act, Senate Bill 1,  
87<sup>th</sup> Legislature, Regular Session, 2021 (Article II Special Provisions  
Relating to All Health and Human Services Agencies, Section 26)**

August 2023



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# Purpose of Report

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Senate Bill 1, The General Appropriations Act, 87<sup>th</sup> Regular Legislative Session, Special Provision 26<sup>1</sup> requires the Texas Department of Family and Protective Services (DFPS) to develop, with the assistance of the Health and Human Services Commission (HHSC), an alternative reimbursement methodology proposal for the Eighty-eighth Legislature for foster care and community-based care rates. As part of Special Provision 26, DFPS is required to submit a semi-annual progress report detailing all related activities undertaken by DFPS every six months. All reports under this special provision are to be submitted to the Legislative Budget Board, the Governor, the Chair of the House Appropriations Committee, the Chair of the Senate Finance Committee, the Speaker of the House, the Lieutenant Governor, the permanent standing committees in the House of Representatives and the Senate with jurisdiction over health and human services, and HHSC.

This progress report provides DFPS’s activities associated with Special Provision 26 conducted covering the period from March 2023 to August 2023.

# Required Reporting

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Section (a) of Special Provision 26 pertained to DFPS only while section (c) pertained to both DFPS and HHSC. Sections (b) and (e) pertain only to HHSC, and DFPS defers to their progress report for any updates.<sup>2</sup>

Below is a chart of the completed reports and the remaining progress reports required of DFPS in section (d) of Special Provision 26.

Special Provision 26 – Required Reports	Begin Date	Due Date	Completion
Report detailing the preliminary new service descriptions upon which the new rate methodology.	June 2021	09/30/21	09/30/21
Report detailing the final service descriptions.	10/01/21	01/01/22	12/31/21
First Progress Report of all related activities undertaken by DFPS	June 2021	02/28/22	02/28/22
Second Progress Report of all related activities undertaken by DFPS	03/01/22	08/28/22	8/31/22
Third Progress Report of all related activities undertaken by DFPS	09/01/22	02/28/23	02/28/2023
Fourth Progress Report of all related activities undertaken by DFPS	03/01/23	08/28/23	08/31/2023

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<sup>1</sup> See Appendix A for rider language.

## General Approach

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With little modification, the existing foster care rate methodology and Texas Service Level System structure has been in place since September 1988. To undertake the type of systemic transformation envisioned by the Legislature as directed by Special Provision 26, DFPS, in collaboration with HHSC, has taken the following approach:

- Conducted a thorough review of Texas-specific child-level and needs assessment data to determine services needed to improve capacity and address gaps in the foster care continuum.
- Identified minimum standards, statutory and court requirements that are inherent in the different types of service add-ons.
- Conducted national research and engaged with stakeholders to identify and validate best practices and build out models in a manner that allows for identification and capture of reasonable and necessary expenses under a new rate methodology.
- Refined the models based on stakeholder feedback and programmatic input and changes.
- Developed rate methodology to support the new service packages.
- Submitted a report in February 2023 to the Texas Legislature that included the newly defined service continuum, supporting rate methodology and calculations, and a high-level multi-year implementation plan.
- The 88<sup>th</sup> Texas Legislature supported and directed DFPS to move forward with implementation of Foster Care Rate Modernization in accordance with the [February 2023 Report](#).

## Semi-Annual Listing of All Related Activities and Progress

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The following items represent a high-level overview of the work that has been undertaken to support Foster Care Rate Modernization since publication of the last report in February 2023.

### March-August 2023

Collaborative multiple weekly joint workplan meetings between DFPS and HHSC to develop a comprehensive quarterly Single Source Continuum Contractor (SSCC) specific Cost Report.
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Hosted Kickoff meetings across multiple divisions within DFPS to set up workgroups and governance/oversight structure for the Foster Care Rate Modernization project.
Hired Project Manager to lead Foster Care Rate Modernization project office and implementation.
Presented and reviewed <i>draft</i> SSCC comprehensive quarterly Cost Report with current SSCCs to obtain input to inform final new Fiscal Year 2024 SSCC Cost Report.
Re-branded/named Foster Care Rate Modernization, now known as the Texas Child-Centered Care (T3C) System which better aligns with the transformation of the foster care system the new system represents.

## Continued Work

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### Successful Implementation and Transition

The existing Service Level System has been in place for 35 years, and to successfully transition to the T3C System modifications must be made to the IT infrastructure, policy, procedures, contracts, contract monitoring, and the process for assessing, matching, and placing children und the new modernized system.

The infrastructure/readiness work that must be done to implement the T3C System is estimated to take approximately 19 months (June 2023-December 2024).

Beginning in January 2025 children and youth will begin to transition under the new foster care continuum. DFPS anticipated that children receiving services like Basic and Treatment Foster Family Care will be some of the first to move over under the new system, as these services are most closely aligned to what is offered in the system today.

For other services that are brand new to the system, more time will be needed to develop the appropriate capacity across the state. Based on the current plan, it is likely that a full transition of children under the new continuum will occur by state FY 2028.

A high-level overview of the implementation plan and key milestones for the T3C project can be found beginning on page 28 of the [February 2023 Report](#).

## Closing

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The Texas Child-Centered Care (T3C) System represents a complete transformation of the foster care system, that includes an evidence-informed universal assessment of child need, clearly defined service packages tailored to meet the specific needs of the children, and a whole new fully funded foster care rate methodology that aligns payment with the cost of care.

Successful implementation and transition to the T3C System is anticipated to result in overall improvement to safety, permanency, and well-being outcomes for children in the foster care system.

## Appendix A. Special Provision 26

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### Sec. 26. Reimbursement Rates and Methodology; Reporting Requirements: Legacy Foster Care, Community Based Care Services, and Other Child Services.

(a) In addition to the amounts appropriated above to the Department of Family and Protective Services (DFPS) is \$352,853 in General Revenue and \$1,772 in Federal Funds in fiscal year 2022 and \$99,763 in General Revenue and \$920 in Federal Funds in fiscal year 2023 and 1.0 full-time equivalent (FTE) each year in Strategy B.1.2, CPS Program Support, for the development of a new reimbursement rate methodology for foster care, community-based care, and other child services.

(b) In addition to the amounts appropriated above to the Health and Human Services Commission (HHSC) is \$2,810,482 in General Revenue and \$355,652 in Federal Funds and 6.1 FTEs for the 2022-23 biennium for the development of a new reimbursement rate methodology for foster care, community-based care, and other child services, allocated as follows:

- (1) \$1,565,370 in General Revenue and \$7,859 in Federal Funds in fiscal year 2022 and \$905,673 in General Revenue and \$8,354 in Federal Funds in fiscal year 2023, and 5.1 FTEs in each fiscal year in Strategy L.1.1, HHS System Supports, to support administrative and salary costs related to the implementation of this section; and
- (2) \$296,628 in General Revenue and \$296,628 in Federal Funds in fiscal year 2022, and \$42,811 in General Revenue and \$42,811 in Federal Funds in fiscal year 2023, and 1.0 FTE each fiscal year in Strategy B.1.1, Medicaid Contracts and Administration.

(c) Out of funds identified above in subsection (a) of this rider, DFPS shall develop, with the assistance of HHSC, an alternative reimbursement methodology proposal for the Eighty-eighth Legislature for foster care and community-based care rates, including:

- (1) Aligning the rates to specific, clearly defined, program models;
- (2) Pricing the elements of the program models using cost report data and market analysis;
- (3) Reviewing the rate calculations with stakeholders to refine the models and price;
- (4) For facility-based programs, paying the rates that align to the placement setting in which a child resides, for as long as the child resides there;
- (5) For foster family rates, maintaining the same rate for an identified period of time after a child is assessed as ready for a lower placement level to allow the family to sustain the progress that has been made;
- (6) Using CANS assessments (and other tools) to inform placement and service decisions and track progress;
- (7) Tracking regional differences in CANS scores and costs to determine if trends emerge;
- (8) Considering the types of personnel and credentials that are desired for programs and factor commensurate and competitive salaries into the model budget legacy rate development process across the state;
- (9) Developing incentive payments for child placement agencies and residential programs for desired outcomes such as timely permanency, recruiting and retaining foster homes, successful moves to lower levels of care, clinical improvements, and other outcomes as determined by DFPS;
- (10) Defining placement settings and services that align to children's needs with rates that tie to

those specific settings and services and clarifying the program expectations for each setting, such as staffing requirements, supervisory expectations, training, and other support and operating assumptions;

- (11) Continuing the exceptional care “carve out”;
- (12) Implementing a risk reserve;
- (13) Reviewing opportunities to increase the Title IV-E eligibility rate;
- (14) Increasing kinship licensing; and
- (15) Developing a method to claim costs associated with child.

(d) DFPS shall submit to the Legislative Budget Board, the Governor, the Chair of the House Appropriations Committee, the Chair of the Senate Finance Committee, the Speaker of the House, the Lieutenant Governor, the permanent standing committees in the House of Representatives and the Senate with jurisdiction over health and human services, and HHSC:

- (1) a report detailing the preliminary new service descriptions upon which the new rate methodology will be based no later than September 30, 2021;
- (2) a report detailing the final service descriptions no later than January 1, 2022; and
- (3) a semi-annual progress report of all related activities undertaken by DFPS every six months beginning on February 28, 2022.

(e) HHSC shall submit to the Legislative Budget Board, the Governor, the Chair of the House Appropriations Committee, the Chair of the Senate Finance Committee, the Speaker of the House, the Lieutenant Governor, the permanent standing committees in the House of Representatives and the Senate with jurisdiction over health and human services, and DFPS:

- (1) a plan for the development of pro forma modeled rates and cost-report based rates, using the service descriptions described in subsection (c) of this rider, including key milestones and identified interagency dependencies, and for the implementation of all other recommendations related to reimbursement rate methodologies made in the report entitled “Foster Care Methodology as required by the 2020-21 General Appropriations Act, House Bill 1, 86th Legislature, Regular Session, 2019 (Article II, Special Provisions Relating to All Health and Human Services Agencies, Section 32)” no later than September 30, 2021;
- (2) a report that includes the pro forma modeled rates using the new methodology, including the fiscal estimate of implementing such rates, no later than December 1, 2022;
- (3) a report on the feasibility of increasing federal funds for use in providing these services by February 1, 2023; and
- (4) a semi-annual progress report of all related activities undertaken by HHSC every six months beginning on February 28, 2022.