

CHILDREN'S ADMINISTRATION
Vendor Rate Increase



2015-17 BIENNIAL BUDGET

Request	FY16	FY17	15-17
FTE			
GF-State	\$7,429,000	\$7,429,000	\$14,858,000
Total	\$9,483,000	\$9,483,000	\$18,966,000

DECISION PACKAGE SUMMARY

The Children's Administration (CA) requests \$14,858,000 GF-State and \$18,966,000 Total Funds to increase the rates paid to providers of key services in order to recruit and retain excellent service providers. By funding this request, CA is expected to maintain and grow its current provider network to ensure that all children and families served by CA can have access to high quality services.

PROBLEM STATEMENT

Before the fiscal crisis began in Washington State in Fiscal Year 2009, there was a regular process by which the state conducted an analysis of the costs of providing services. This was the Governor's Vendor Rate Committee and it supplied information to state agencies about the cost increases vendors were experiencing and made recommendations for regularized increases tied to economic and other indicators. In Fiscal Year 2009, this committee was disbanded and regularized rate increases were halted.

CA vendors have not experienced a vendor rate increase since that time and some Behavioral Rehabilitation Services (BRS) vendors have experienced decreases in rates over the last several years. However, analysis of economic data shows that the cost of conducting business for most businesses has increased by 9.4 percent during that same period. In addition, many vendors took rate reductions in Fiscal Year 2009. The combination of rate reductions and decreased buying power is leading many contractors to reduce the quality of their service delivery or to simply stop taking CA-involved children and families.

PROPOSED SOLUTION

CA requests additional funding to increase vendor rates for BRS services and fees paid to Child Placing Agencies (CPAs). In Fiscal Year 2011, BRS took a 5.87 percent rate reduction and CPA's rates have decreased by 8.63 percent between Fiscal Year 2006 and present. CA requests to restore rates to Fiscal Year 2009 levels and provide a rate increase to bring rates in line with current costs.



DSHS VISION
People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION
To transform lives

DSHS VALUES
Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

CHILDREN'S ADMINISTRATION

Vendor Rate Increase



2015-17 BIENNIAL BUDGET

CA calculated the projected expenditures for Fiscal Years 2016 and 2017 assuming a similar level of spending on BRS and CPAs as is currently projected for Fiscal Year 2015. We then applied a 5.87 percent rate restoration for BRS and a 9.4 percent inflation factor. For CPAs, CA applied an 8.63 percent rate restoration and then the 9.4 percent inflation factor. The administration calculated the inflation factor using the Implicit Price Deflator, an economic index that has historically been used for vendor rate increases. CA looked at the growth in the deflator between the third quarter of 2008 (pre-recession) and the 3rd quarter of 2015.

Alternative options include funding only the rate restoration or the inflationary step. The total biennial cost of only the rate restoration is \$7.5 million total funds and only the inflationary step is \$11.5 million total funds.

EXPECTED RESULTS

The budget request supports DSHS Goal 3: Protection – Each individual who is vulnerable will be protected. The decision package is essential to implementing the CA's Strategic Objective 3.4: Percentage of children not re-entering placement within 12 months of reunification will increase.

This request supports the Results Washington goal to help keep people safe in their homes, on their jobs, and in their communities and decrease the rate of children with founded allegations of child abuse and/or neglect.

This request will preserve and foster high quality services necessary for children in out of home care. If this request is not funded, providers may not have adequate resources to provide children with the level of care they need. There is potential for a loss of service providers as they would no longer be able to provide services as the cost of care continues to increase while the rate of payment decreases. The loss of such providers will likely displace youth and have them in an out of home placement not equipped to maintain the child's stability and require more costly interventions from multiple providers.

STAKEHOLDER IMPACT

Stakeholders have repeatedly requested an increase in the vendor rates to keep pace with rising costs. During a stakeholder meeting in May, many providers (large and small), requested that CA consider requesting additional funds to provide targeted rate increases within the services we are requesting more frequently.



DSHS VISION

People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION

To transform lives

DSHS VALUES

Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service