

**Office of Comprehensive Services
Annual Report to the General Assembly**

***Implementation of the Match Rate System
Under the Comprehensive Services Act***

December 2011

Report Mandate

The 2011 Appropriations Act, Chapter 890, Item 274, C 3.c requires with regard to the match rate system that the State Executive Council shall:

“By October 1 of each year, The State Executive Council (SEC) shall provide an update to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees on the outcomes of this initiative.”

The Office of Comprehensive Services received approval to delay reporting on this initiative until December 15 to allow for inclusion of FY11 data.

Source of Data

Data for this report are derived from local pool reimbursement request reports.

Background

The statutory purpose of the Comprehensive Services Act (CSA) is to create a system of services and funding for troubled youth and their families that is child centered, family focused and community based.

Funding for services under the CSA is shared by the state and local governments. The local base match rate is defined in Item 274 C.2 of the Appropriations Act as follows:

“Local Match. All localities are required to appropriate a local match for the base year funding consisting of the actual aggregate local match rate based on actual total 1997 program expenditures for the Comprehensive Services Act for At-Risk Youth and Families”.

Increasing the ratio of community-based services to residential services is a key CSA performance measure. In a 2007 report on residential services and the CSA, the Joint Legislative Audit and Review Committee (JLARC) identified that community based service gaps are the primary obstacle to serving children in the most appropriate, least restrictive setting. Further, in 2007-08, the Casey Strategic Consulting Group provided policy advice to reduce reliance on residential care, serve children in their homes and invest funds for the development of community based services. The policy advice recommended the phasing in of a system of financial incentives to encourage the delivery of services consistent with the statutory purposes of the CSA, i.e., to:

- preserve and strengthen families;
- design and provide services that are responsive to the unique and diverse strengths and needs of troubled youth and families and;
- provide appropriate services in the least restrictive environment, while protecting the welfare of children and maintaining the safety of the public.

The following are excerpts from the CSA 2009 Appropriations Act, Chapter 781, mandating the establishment of a system of financial incentives now referred to as the “match rate system,” for CSA pool fund expenditures:

“Notwithstanding the provisions of C 2 of this Item, beginning July 1, 2008, the Secretary of Health and Human Resources shall oversee the implementation of a system of financial incentives that is consistent with the statutory purposes of the Comprehensive Services Act. The financial incentive system shall use the methodology in place on July 1, 2007, for calculating the base rate for each locality...”

“Community Based Services. Beginning July 1, 2008, the local match rate for community based services for each locality shall be reduced by 50 percent. Localities shall review their caseloads for those individuals who can be served appropriately by community-based services and transition those cases to the community for services.

“Beginning January 1, 2009, the local match rate for residential services for each locality shall be increased by 15 percent above the fiscal year 2007 base rate after a locality has incurred a total of \$100,000 in residential care expenditures for the period of January 1, 2009, through June 30, 2009. Beginning July 1, 2009, the local match rate for residential services for each locality shall be 25 percent above the fiscal year 2007 base rate after a locality has incurred a total of \$200,000 in residential care expenditures.”

In July 2008, the State Executive Council approved a hierarchy of service categories with varying local match rates for full implementation effective in FY2009. The goal of the incentive match rate system was to reduce the use of congregate care placements through increased use of community supports for youth funded through the Comprehensive Services Act. These service categories have been modified in subsequent years.

The Appropriations Act, Chapter 874, repealed effective in FY11 the \$200,000 “hold harmless” match rate language which previously protected initial local expenditures from the disincentive of the increased match rate for congregate care/residential services. Effective July 1, 2010, a 25% higher local match rate was applied to all eligible congregate care/residential services.

The current match rate system lowers the local match rate by 50% for community based services, increases the local match rate by 25% for congregate care/residential services, and maintains at the neutral, or base, match rate treatment foster care services, special education services, and wrap-around services for students with disabilities.

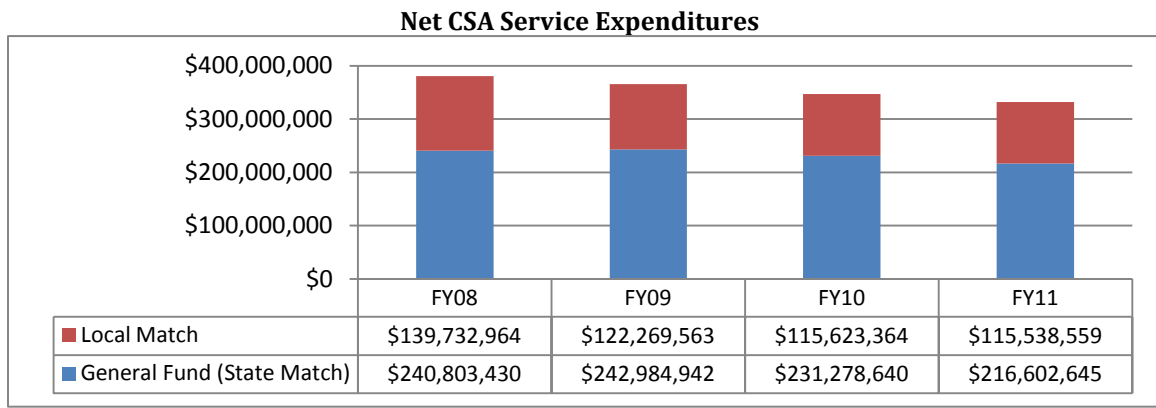
Local Government Training

To assist local governments with the new match rate system, five regional training sessions were performed across the state in July and August 2008. These sessions were targeted to CSA coordinators, local fiscal managers, and local CSA data set reporters. The five training sessions were attended by 219 local staff. Follow-up training sessions have been provided annually.

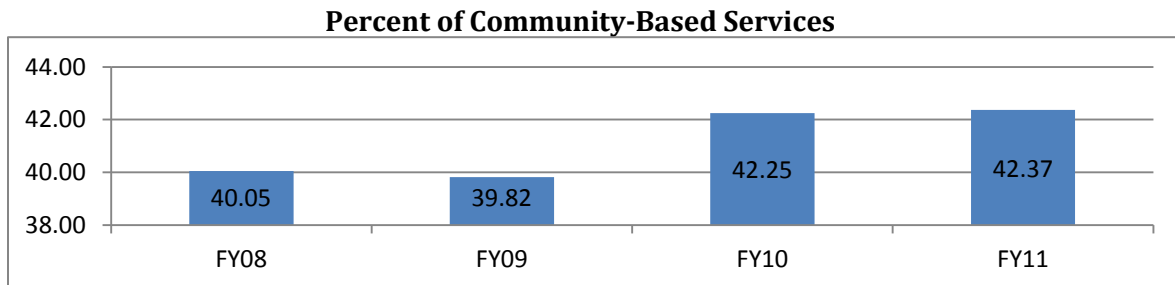
Outcomes of the Match Rate System

As was intended, the match rate system (implemented co-currently with the *Systems Transformation* initiative) has had a positive impact on both CSA expenditures and service delivery to youth.

The financial impact of the match rate system has been a decrease in overall CSA service expenditures for the past three years. The chart below illustrates total net CSA service expenditures, broken down by local and state match, since implementation of the match rate system:



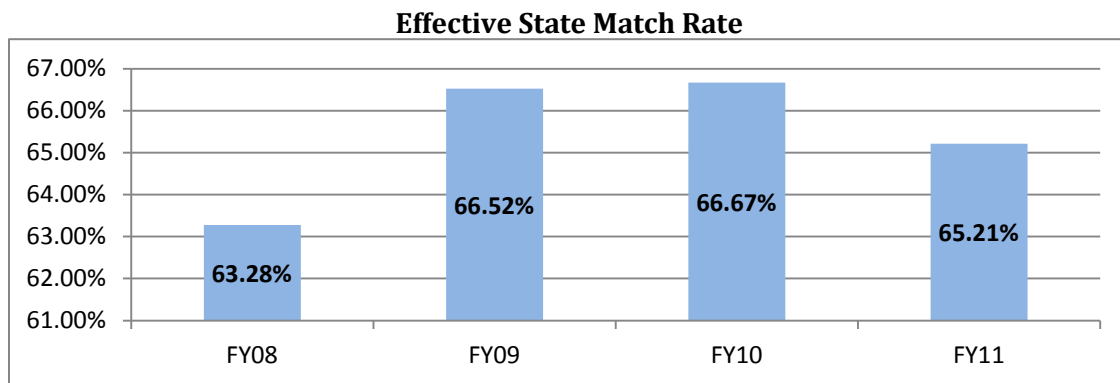
In addition to the financial impact, the match rate system has contributed positively to the goal of reducing congregate care placements and increasing the use of community-based services. To date, however, the state has not yet achieved its target of 50% of children served in the community. The increase in the percent of community-based services is illustrated in the chart below:



Impact on Effective Match Rate

The match rate system has changed the “effective” match rate for both local governments and the state since the ultimate share of costs varies depending upon the mix of funded services within the fiscal year, i.e., the mix of congregate care at the higher local match, community-based services at the lower local match, and other service categories at the base or neutral local match rate.

Prior to the adoption of the match rate system, the state match for services remained fairly stable across years at approximately 64.2%. It is important to note that, while implementation of the match rate system has increased the effective state share for service costs, the decrease in total expenditures resulting from changing practice has resulted in overall savings to the state. The effective state match rate across years since implementation of the match rate system is illustrated in the chart below:



Summary

The primary intended outcome of the match rate system was to reduce the number of youth served in restrictive, congregate care/residential programs. The match rate system was implemented co-currently with the *Children’s Services Systems Transformation* which was designed to change local practice to increase use of community-based services. In addition to decreasing overall service expenditures for the past three years, these initiatives have successfully changed local practice with the following measurable results:

- reduction to the number of residential placements,
- increased family-based placements,
- fewer youth in foster care, and
- decreased CSA expenditures.

While the system has been “transformed” and the *Transformation* initiative can be considered complete, focused discipline on aligning practice and policies must be maintained. The role that the match rate system has played in supporting change to local practice should not be underestimated.