



Date: May 1, 2023
To: Assembly Budget Subcommittee No. 1 on Health and Human Services
From: Angela Short
Legislative Analyst's Office
Subject: Timing for Implementing the CCR Permanent Rates Structure

Introduction

At the Assembly Budget Subcommittee No. 1 hearing on March 22, 2023, Chair Arambula asked for our office's assistance to help the Legislature better understand the steps and time required to implement the Continuum of Care Reform (CCR) permanent rates structure. This memo represents our best understanding of this process at this time, and is based on our conversations with key stakeholders and the administration.

As part of implementing CCR, the state was required to develop a new foster care maintenance payment rates structure to replace the previous age-based and group home rates structure. Under CCR, foster care rates must be based on the assessed level of need of individual youth ("level of care"), with youth requiring higher levels of behavioral health supports and other more therapeutic and intensive services receiving higher rates.

CCR Interim and Permanent Rates Structure

Since 2017, the state has been implementing interim level of care rates for resource families, Short-Term Residential Therapeutic Programs (STRTPs), Foster Family Agencies (FFAs), Intensive Services Foster Care (ISFC), and other specialized models of foster care.

Statute specifies that these interim rates will expire December 31, 2024, and that the permanent, ongoing level of care rate structure will be established by January 1, 2025:

WIC 11462(c) (updated by 2022-23 budget language):

(1) (A) Initial interim rates developed pursuant to this section shall be effective January 1, 2017, through December 31, 2024.

(B) The initial interim rates developed pursuant to this paragraph shall not be lower than the rates proposed as part of the Governor's 2016 May Revision.

(C) The initial interim rates set forth in written directives or regulations pursuant to paragraph (3) shall become inoperative on January 1, 2025.

(D) It is the intent of the Legislature to establish an ongoing payment structure no later than January 1, 2025.

Path to Implementation

To meet this statutory requirement, the Department of Social Services (DSS) will need to propose the ongoing foster care payment structure and the proposal will need to be approved by the Legislature. Below, we lay out the major phases working toward implementation of the final rates structure.

INITIAL PROPOSAL (CURRENTLY ANTICIPATED FOR INCLUSION IN THE 2024-25 GOVERNOR'S BUDGET PROPOSAL)

- DSS has stated it currently intends to propose the permanent rates structure as part of the administration's *2024-25 Governor's Budget* proposal. As such, in alignment with the annual budget process, we expect the proposal would be finalized in July 2024 as part of the overall budget package.
- In preparation for beginning to develop the permanent rates proposal, in August through November 2022, DSS convened more than 20 stakeholder workgroup sessions focused on five key areas for the forthcoming rates structure: resource family homes, STRTPs, FFAs, ISFC, and Supervised Independent Living Placements (SILPs).
- Workgroup participants reached consensus around a number of key findings (that reflect the perspectives of workgroup participants and not necessarily that of DSS), including:
 - The current rates are inadequate across all placement settings. Rates aim to support care and supervision but do not address the need for services/supports.
 - Rates should follow the child and not the placement type; assessment should identify the child's level of need, not where the child should be placed.
- DSS currently is working to develop its proposal—including working to determine how/to what extent to incorporate findings from the workgroup sessions. We understand that as DSS works to develop this proposal, the department continues to engage with subject matter experts and to convene smaller focus group sessions regarding specific aspects of the future rates.
- **Key Questions Outstanding:**
 - How does the Legislature wish to conduct oversight of the rates development process? One option would be to require the administration to report on its progress this fall, prior to the release of the Governor's budget.

STAKEHOLDER REVIEW (AFTER INITIAL PROPOSAL HAS BEEN SHARED)

- At this time, we understand that legislative and stakeholder review of the proposal will occur as part of the regular 2024-25 budget process. The department is not currently required to convene another round of stakeholder workgroups to provide formal feedback on the full draft proposal.

- ***Key Questions Outstanding:***

- Does the Legislature wish to direct the department to engage with stakeholders again this fall prior to finalizing the January proposal?

DETAILED IMPLEMENTATION GUIDANCE (AFTER RATES STRUCTURE HAS BEEN FINALIZED)

- Once the administration and Legislature have agreed to the permanent rates structure, DSS will need to communicate the final policy to counties with a level of detail that will allow counties to plan for implementation (typically the department provides this type of guidance via [All County Letters](#)). Counties rely on this more detailed, technical guidance to direct necessary automation efforts, as well as to inform training for county staff.
- Based on [recent trends](#) in the implementation of new programs and proposals, we anticipate it could take six months or longer, depending on the complexity of the final rates structure, for DSS to develop the detailed guidance. In addition, counties indicated that for more complex policy changes, often upon developing the guidance new questions arise that may not have been contemplated while the policy was under development. In these cases, counties and DSS typically go back and forth on the details of the guidance, which adds more time to the process.
- According to the Statewide Automated Welfare System (SAWS) consortia, detailed implementation guidance needed to automate/implement the final rates structure will need to include:
 - Policy details for transitioning foster youth to the new rates structure, including a clear and unduplicated crosswalk indicating how to transition youth who currently receive the interim level of care rates as well as youth who currently receive age-based rates.
 - State report updates, including the specifics of what reports are changing and how they will change.
 - Claiming updates, including the specifics of what reports are changing and how they will change.
 - Notice of Action updates, including translations.
- ***Key Questions Outstanding:***
 - How quickly will DSS be able to develop the guidance upon finalization of the rates structure? Could DSS commit to finalizing the guidance by a certain date?

AUTOMATION PROCESS (AFTER DETAILED IMPLEMENTATION GUIDANCE HAS BEEN PROVIDED)

- Automation of the new rates structure will need to occur within CalSAWS. (If there is any need for data to be pulled from the Child Welfare Services-Case Management System (CWS-CMS)/CWS-California Automated Response and Engagement System

(CWS-CARES) into CalSAWS to inform the rates, that would require additional time since currently there are no interfaces between the two systems.)

- The SAWS consortia currently estimate automation changes such as this take around 12 to 18 months to complete, although this can vary significantly depending on the level of complexity. The automation process comprises several sequential phases, namely: preparation and design, building new functionality, testing and stakeholder review, and finalization. Based on this approximate time line, in order for implementation of the final rates structure conceivably to be possible by January 1, 2025, the SAWS consortia informed DSS that detailed implementation guidance would be needed by November 1, 2023 at the latest. (As described above, this is prior to when the administration intends to propose the rates structure, and considerably before the Legislature would adopt the final policy.)
- **Key Questions Outstanding:**
 - Considering the numerous other SAWS automation projects in queue, what will be the prioritization of automation for implementing the permanent CCR rates structure?
 - Are there any other planned CalSAWS infrastructure and/or maintenance and enhancements activities (such as the possible transition to a new vendor or vendors) that could affect the automation time line?
 - If there is a need to pull data from CWS-CMS/CWS-CARES to implement the permanent CCR rates structure, how might this need affect the automation time line (as well as the CWS-CARES project time line)?

Bottom Line on Timing of Implementation

If the administration does not release its proposal until January 2024, the permanent CCR rates structure very likely could not be implemented by January 1, 2025. Based on the administration's current plan to release the initial proposal in January 2024, we estimate that the policy possibly could be finalized by December 31, 2024 (meaning legislative approval of the proposal, plus developing the specific guidance needed to inform automation updates). The automation process—which would take at least 12 to 18 months—likely would not begin until 2025, however. This would mean, based on our assessment, the final rates structure likely would be implemented around mid-2026. A very rough illustrative time line is as follows:

- **January 10, 2024:** Administration proposes final rates structure as part of the *2024-25 Governor's Budget*.
- **July 1, 2024:** Rates structure is adopted as part of the 2024-25 budget process, reflecting legislative and stakeholder feedback.
- **December 31, 2024:** DSS releases detailed implementation guidance to counties. (This assumes guidance development takes six months. However, depending on the complexity of the final rates structure, more or less time could be needed.)

- **July 1, 2026:** New rates are fully automated and implementation begins. (This assumes automation requires 18 months. However, depending on the complexity of the policy, more or less time could be needed.)

To meet the January 1, 2025 current statutory deadline, the SAWS consortia indicated the detailed implementation guidance would be needed by November 1, 2023 at the latest. In order to meet that date, our assessment is that the permanent rates structure policy would need to be completed as part of the 2023-24 budget (July 2023). This would then leave a few months for DSS to develop the detailed guidance for implementation. In addition, this would leave 12 months for automation. Overall, this would be an ambitious time line, particularly if the final policy is significantly different from the current interim rates structure.

Other Comments and Recommendations

Many Details Yet Unknown; Time Required for Implementation Will Vary Significantly Depending on the Permanent Rates Structure Policy. Given that the administration intends to align the forthcoming rates proposal with the 2024-25 budget process, the time line for approving the final rates structure is likely to align with the approval of the budget (July 2024). However, the amount of time that will be required to develop the detailed implementation guidance and for automation is largely unknown. Moreover, the time required is a function of the complexity of the policy and the needed automation changes. For example, if the final rates structure ends up being similar to the current interim rates structure, it follows that minimal CalSAWS changes would be needed. However, if the final rates structure differs significantly from the current interim rates (which is what stakeholders have asked for during the recent workgroup sessions conducted by DSS), then automation changes necessarily will be much more complex and require more time to complete.

Seek Regular Updates on Evolution of Permanent Rates Structure. Through trailer bill language or supplemental reporting language, the Legislature could require that, leading up to the *2024-25 Governor's Budget*, the administration provide regular updates (for example, every two months) on the initial proposal development. For example, as DSS continues to engage stakeholders through smaller focus groups and have conversations with subject matter experts, what are the remaining stakeholder concerns? By way of these updates, the Legislature would be better situated to receive the administration's initial proposal in January 2024.

In addition, after the approval of the permanent rates structure, the Legislature could require that the administration provide ongoing updates around its implementation (including the progress of automation updates) as part of the statutorily required CCR quarterly updates (described by Welfare and Institutions Code Sections 16523.5 through 16523.59) going forward.

Set Parameters for Administration's Progress. Based on our assessment, trailer bill language likely will be needed to amend the current statutory deadline of January 1, 2025. When updating statute, we suggest the Legislature and administration include in the language specific milestone dates to help facilitate legislative oversight of progress and ensure the process remains on track.