



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF HUMAN SERVICES

JUN 17 2019

Dear Administrator,

Since 2008, Pennsylvania has been on a partial deferral of Title IV-E foster care payments, which means we've received limited Title IV-E reimbursement for the costs for eligible children in congregate care settings. It's with great pleasure that I share the below information regarding the history and conclusion of the partial Title IV-E deferral and outline our next steps to begin receiving full Title IV-E reimbursement of our allowable costs for eligible children.

Background:

The Office of Inspector General (OIG) conducted a multi-phased audit of federal Title IV-E foster care funds reported as expended for periods between October 1, 1997 and September 30, 2002. The OIG audit reports identified costs claimed for federal financial participation (FFP) that "bundled" allowable and unallowable expenditures. To avoid a full deferral of Title IV-E foster care maintenance claims, the Department of Human Services (DHS) proposed to limit claims for payments to providers whose established per diem was greater than \$200 to a maximum of \$200 per day, and a maximum per diem of \$125 was proposed for providers with established rates less than \$200 per day beginning in October 2008. The Administration for Children and Families (ACF) accepted this proposal.

To address the concerns raised during the audit related to identification and documentation of allowable costs, DHS implemented a budget documentation review process. Following a lawsuit in 2009, the Supreme Court issued a decision in *Nw. Youth Servs., Inc. v. DPW*, 1 A.3d. 988 (Pa. Cmwlth. 2010), which found that DHS overstepped its authority in establishing the process through bulletin. Act 55 of 2013 was subsequently enacted and authorized the review process (as it was being implemented prior to the decision) for one year to avoid a loss of federal funds. It also amended Section 704.3 of the Act of June 13, 1967 (P.L.31, No.21), known as the Human Services Code, to mandate a task force of state, county, and provider representatives be convened to develop recommendations for a methodology to determine reimbursement for actual and projected costs of child welfare services, which are reasonable and allowable under applicable state and federal law. The Rate Methodology Task Force (RMTF) was convened, and the recommendations related to placement services were submitted to the General Assembly on May 2, 2014; recommendations pertaining to other purchased services were submitted on January 7, 2015.

Legislation to continue the budget documentation review process was received annually (Act 55 of 2013 for FY 2013-14; Act 126 of 2014 for FY 2014-15; Act 92 of 2015 for 2015-16; Act 25 of 2016 for 2016-17; and Act 44 of 2017 for 2017-18) to ensure receipt of Title IV-E foster care placement maintenance funds for congregate care settings. Unfortunately, the time-limited nature of each legislative renewal meant that the budget documentation review process could

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not be sampled by ACF, resulting in the delay of the conclusion of the partial deferral. The annual legislation also resulted in untimely contract negotiations and claiming for Title IV-E funds as the authorization for the review process for a FY was not received until after the FY had begun.

In April 2018, DHS formally requested ACF review the budget documentation review process to identify any remaining issues. While the review was occurring, Act 44 of 2018 passed and granted DHS authority to conduct the budget documentation review process without a sunset date and permitted DHS to adopt those recommendations of the RMTF that ensured federal reimbursement. DHS reconvened the RMTF in September 2018, shortly after the law passed, to review the recommendations from 2014 related to placement services. One of the RMTF's first acts was to vote on changes to the required submission date for the upcoming FY and to revise the congregate care budget documentation packet to address concerns identified by ACF during their May 2018 review of budget documentation from FY 2018-19.

Status:

In April 2019, ACF sampled the finalized policies and procedures identified in the Office of Children, Youth and Families (OCYF) Bulletin #3170-19-01 to verify that the budget documentation review process clearly identified allowable costs for FFP. On June 4, 2019, ACF notified DHS that all issues identified through the OIG audit have been resolved and that full federal reimbursement will be made available for claims constructed using the approved budget documentation review process implemented for FY 2019-20. In other words, effective July 1, 2019, the capped reimbursement implemented in 2008 will cease.

In addition, DHS negotiated retroactive claiming for the prior eight quarters assuming the claims can be constructed using the current budget documentation review methodology.

Next Steps:

On July 13, 2019, the Title IV-E Validation System will be updated to calculate the federal share of allowable maintenance expenditures in congregate care settings separate from the allowable administrative expenditures for claims beginning July 1, 2019. OCYF will host two WebEx trainings regarding the Title IV-E Validation System changes. Notice and registration instructions will be emailed separately.

The changes to the Title IV-E Validation System will not support retroactive claiming using the current budget documentation review methodology. Therefore, OCYF is identifying those providers whose budget documentation for the prior two FYs includes the level of detail necessary to support claiming under the current methodology. Once completed, OCYF will utilize prior year claim data to construct a supplemental invoice on behalf of each county who utilized the identified providers, by quarter. Each county will have an opportunity to review the prepared invoice prior to submission for federal reimbursement. Additional information regarding this process is forthcoming.

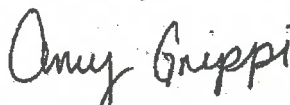
This is a significant accomplishment for DHS and I'd like to recognize the staff in OCYF's Bureau of Budget and Fiscal Support for their years of hard work and dedication to resolving the partial deferral. They are a committed group and we are fortunate to have them working on behalf of the children and families in the Commonwealth.

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I would also like to recognize and thank members of the RMTF for supporting the changes to the budget documentation review process for FY 2019-20.

Thank you in advance for your assistance as we transition away from the capped Title IV-E reimbursement process. If you have any questions, please contact Gloria Gilligan at ggilligan@pa.gov.

Sincerely,

Handwritten signature of Amy Grippi in black ink.

Amy Grippi
Acting Deputy Secretary