Risk Pool Peer Review Committee

Executive Summary Report

Fiscal Year 2022 - 2023

Executive Summary:

The department established a Risk Pool Peer Review Committee (the Committee) pursuant to section 409.990(8)(a), F.S. (2022) for State Fiscal Year (FY) 22-23, the Risk Pool application process was informed by lessons learned from the prior year reviews as well as the availability of extensive additional information from reports developed pursuant to Chapter 409.996(3), Florida Statutes. In compliance with Chapter 409.996(3), the department completed a comprehensive, multi-year review of the revenues, expenditures and financial position of all Community-Based Care lead agencies including a comprehensive system of care analysis. This submission also included a financial viability plan from all lead agencies.

The Committee conducted a review virtually in December 2022 with relevant information available from multiple sources to make recommendations. The documents reviewed are below:

- Risk Pool Funding Application FY 22-23
- Financial Viability Plan FY 22-23
- Budget Projections provided by the CBC
- The Child Welfare Dashboard
- The Child Welfare Key Indicators Monthly Report
- Florida Safe Families Network (FSFN) Aggregate Payment Data
- June 30, 2021, Single Audit (CPA Audit)

Additional information was requested and follow up provided by the CBCs which allowed the team to make a recommendation without an on-site visit for any applicant.

The Committee consisted of:

Barney Ray, DCF Director of Revenue Management and Partner Compliance (Team Lead)

Esther Jacobo, Executive Director, Citrus Family Care Network

Brena Slater, CEO, Safe Children Coalition

Brian Zaletel, CFO, Family Support Services of North Florida and Family Support Service of Suncoast

Jessica Andrews, Director of Policy and Programs, Office of Child and Family Well-Being

Kathryn Williams, Deputy Assistant Secretary for Operations, Office of Child and Family Well-Being

While the specific areas of review and analysis varied based on the unique needs and circumstances of each Region, Circuit and CBC, the risk pool framework provided an outline for organizing the work of the Peer Review Committee.

Applicant Summary:

The amount of appropriated risk pool funding is $3,054,312 and two lead agencies applied for risk pool funding requesting a total of $8,619,241 which exceed the funding available. All funds are proposed to be allocated. An evaluation of progress of each financial viability plan should be a consideration for the allocation of any additional funding in addition to factors beyond the control of the lead agency.

Contract #	Lead Agency	Circuit	Requested Amount	Secretary Approved Allocation
GJL58	Embrace Families Community Based Care, Inc	9 & 18 (Seminole)	$3,054,312	$3,054,312
QJ015	Children's Network of Hillsborough, LLC	13	$5,564,929	$0
		Total	**$8,619,241**	**$3,054,312**

The peer review team made recommendations based upon the requirements established in Ch. Section 409.990(8)(a), F.S. (2022), below.

(8)(a) The department, in consultation with the Florida Coalition for Children, Inc., shall develop and implement a community-based care risk pool initiative to mitigate the financial risk to eligible lead agencies. This initiative must include:

1. A risk pool application and protocol developed by the department which outlines submission criteria, including, but not limited to, financial and program management, descriptive data requirements, and timeframes for submission of applications. Requests for funding from risk pool applicants must be based on relevant and verifiable service trends and changes that have occurred *during the current fiscal year. The application must confirm that expenditure of approved risk pool funds by the lead agency will be completed within the current fiscal year.*

2. A risk pool peer review committee, appointed by the secretary and consisting of department staff and representatives from at least three nonapplicant lead agencies, which reviews and assesses all risk pool applications. Upon completion of each application review, the peer review committee shall report its findings and recommendations to the secretary, providing, at a minimum, the following information:

> *a. Justification for the specific funding amount required by the risk pool applicant based on the current year's service trend data, including validation that the applicant's financial need was caused by circumstances beyond the control of the lead agency management;*
>
> *b. Verification that the proposed use of risk pool funds meets at least one of the purposes specified in paragraph (c); and*
>
> *c. Evidence of technical assistance provided in an effort to avoid the need to access the risk pool and recommendations for technical assistance to the lead agency to ensure that risk pool funds are expended effectively and that the agency's need for future risk pool funding is diminished.*

(b) Upon approval by the secretary of a risk pool application, the department may request funds from the risk pool in accordance with s. 216.181(6)(a).

(c) The purposes for which the community-based care risk pool shall be used include:

> *1. Significant changes in the number or composition of clients eligible to receive services.*
>
> *2. Significant changes in the services that are eligible for reimbursement.*
>
> *3. Continuity of care in the event of failure, discontinuance of service, or financial misconduct by a lead agency.*
>
> *4. Significant changes in the mix of available funds.*

Risk Pool Distribution Allocations and Recommendations:

Embrace Families Community Based Care, Inc. (EFCBC) – DCF Contract # GJL58 for Circuits 9 & 18 (Seminole)

Request: $ 3,054,312
Allocation: $ 3,054,312

Summary of Findings:

Based on the information reviewed the Committee was able to affirm the following:

- EFCBC has not experienced a significant increase in removals or in out-of-home care numbers. In fact, there has been a decrease in both in-home and out-of-home placements.

- While all lead agencies incur costs to serve children in their care that other state programs could pay for, they must work with the Agency for Persons with Disabilities (APD) and Department of Juvenile Justice (DJJ) to coordinate cost sharing or full funding of costs of placements or services for eligible children and youth.

- EFCBC has experienced an increase in residential group care rates in the current fiscal year.

- EFCBC froze hiring in FY 21-22 but did not provide any other definitive actions it took to reduce their budget within the funding available or at the least reduce their deficit. Subsequent actions increased their budget without funding to support those actions.

- Employee separations increased by 50% from 16 in FY 20-21 to 32 in FY 21-22. To address this issue, EFCBC increased salaries of 144 employees as market-based adjustments in FY 21-22 despite not having recurring funding to support those increases. This also increased the cost of benefits as well. None were to increase salaries to the state minimum wage of $11 per hour. Four (4) were increased from below $13 per hour to more than $15 per hour which had a $36,000 total annual impact. This decision by EFCBC increased their annual costs by more than $800,000. Turnover of EFCBC employees did increase during FY 21-22 from These pay and benefits increases for staff were not financially prudent at a time when the agency was aware of their operating deficit.

- EFCBC added seventeen (17) new positions in FY 22-23 which increased their FY 22-23 budget by more than $918,000, annualized at $1,057,646. Diversion Manager (1), Adoption Manager (1), Quality Manager (1), Caregiver Support Coordinators (2), Addiction Specialist (1), Administrative Specialist (1), Field Case Managers (5) beginning July 1st and five (5) more beginning in January 2023. EFCBC said that they took these actions to provide more support to case managers and others to help relieve some of the workload pressures that could contribute to case manager turnover.

- EFCBC added subcontracts for more than $314,000 to increase family finding capacity and expedite home studies for enhanced foster home licenses to meet acuity needs.

- EFCBC added subcontracts for more than $1.8M for one-to-one supervision, day services, mentoring and security expenses including police coverage for youth at-risk of unstable placements.

- EFCBC increased their case management subcontracts for case manager salary increases by $2.6M annually without recurring funding to sustain this increase. They took this action to try and stabilize the workforce and reduce case manager turnover.

- Embrace Families, Inc (EF) increased their budget in FY 22-23 for management and administrative services to EFCBC by more than $410,000 based upon increased projected direct costs of EFCBC and not based upon increased funding from DCF.

- EFCBC's budget projections do not include consideration of a lapse factor for their subcontracts which have historically had surpluses in prior fiscal years. Examples include case management subcontracts and their management agreement with Embrace Families, Inc.

- EFCBC is not meeting several performance metrics for children in their care such as children receiving a medical service in the last twelve months or dental services within the last seven months.

Recommendations for EFCBC:

The Peer Review Committee found that Embrace Families Community Based Care, Inc. does qualify for risk pool funding due to c*ontinuity of care in the event of failure, discontinuance of service, or financial misconduct by a lead agency* and recommends a distribution of the entire appropriation of $3,054,312. This distribution is non-recurring in nature and well below the amount of their projected deficit. Therefore, EFCBC must make changes to sustain operations this year and beyond.

As a condition of receiving risk pool funding, EFCBC must do the following:

1. EFCBC is clearly a child and family focused lead agency. However, it needs to operate within its available funding. In times of financial crisis, management should triage their programs to minimize potential deficits.

Within thirty (30) days of receiving this report, EFCBC must complete a review of their entire budget. The review must identify specific areas and items of cost that EFCBC can reduce or eliminate to decrease their projected deficit. EFCBC must provide a detailed report to DCF on the results of their review and the specific actions they will take to reduce their deficit. EFCBC's review must identify whether each cost is essential, reasonable, necessary, and prudently incurred given the financial deficit of the lead agency. It must also identify where elimination of duplicative services that do not affect services for children can be realized.

Areas EFCBC must review include but are not limited to:

a. The Board of Directors of Embrace Families CBC should evaluate their management and administrative services agreement with Embrace Families, Inc. (EF) to identify a reduction in the rate charged or to change the agreement to a fixed monthly invoice based an annual budget from EF and comparing to historical actual cost information with repayment of any remaining surplus at the end of the fiscal year instead of paying as a percentage of direct program costs.
b. Evaluate every subrecipient and contractor/vendor agreement to determine if the agreement is providing a valuable return on investment and if not, reduce or end the agreement.
c. Evaluate every position to determine if it should be eliminated or held vacant and shift responsibilities to other positions until recurring funding is sufficient to pay for it.
d. Prohibit any further one-time bonuses, salary increases with cost of living, merit based, etc. of any employees until recurring funding is sufficient to pay for it.
e. Evaluate and identify processes that can be completed with greater efficiency at a reduced cost than currently incurred and implement.
f. Identify all specific children and youth that receive a greater level of care and submit a plan to DCF that either safely steps them down to a lower level of care or identifies other funding sources to pay for the greater level of care. The plan should include the specific actions EFCBC will take to accomplish each task and the amount of cost reduction or cost shifting for each specific child and youth.
g. Provide DCF with the results of the budget review and provide the specific actions and the cost reductions expected for the remainder of FY 22-23 and annualized in FY 23-24.

2. EFCBC should develop programs to reduce its reliance on residential group care and examine its daily cost of care for the existing placements.

3. EFCBC should seek CBC lead agency peer input from across the State to see if any efficiencies implemented in similar circumstances can be implemented at EFCBC.

4. EFCBC must submit its plan to DCF with specific actions and dates to address timely provision of medical and dental services for all children in care.

5. DCF must continue its review of EFCBC budget and expenditures and compare with other lead agencies to identify areas where staffing or subcontracted levels are greater than its peers.

<u>Children's Network of Hillsborough, LLC (CNH) – DCF Contract # QJ015 for Circuit 13</u>

Request: $5,564,929
Allocation: $ 0

Based on the information reviewed the Committee was able to affirm the following:

- CNH received an increase in core services funding of $16.2M in FY 22-23.

- In their risk pool application, CNH identified initiatives implemented over the course of FY 22-23 which are estimated to cost $10M this year with an annualized cost of $11.7M. The plan addresses reducing entries into care, reducing the length of stay in out-of-home care and increasing enhanced levels of foster care to reduce reliance on residential group care. However, it is still too early to know the level of impact to the system of care such as 1) the actual costs of each initiative that will occur throughout the year, 2) the realized benefits in performance and 3) the realized reduction of cost for out-of-home care at this time.

- CNH is still filling its staffing in various operational units including financial operations. This has led to some cost allocation plan, budget and expenditure reporting delays and challenges.

Recommendations for CNH:

Based on an analysis of the Children's Network of Hillsborough, LLC's budget and the information provided, the Committee found that CNH does not qualify for risk pool funding.

The following two recommendations are being made:

1. CNH received a significant increase in core services funding and should continue with their implementation of initiatives and adjust as needed within their available funding. They should track the expenditures to their budget and calculate the return on investment (ROI) they expect to receive and realize in areas such as, but not limited to, the reduction in the number of children in out-of-home care, caseload, reliance on residential facility-based care, out-of-home care costs, etc.

2. CNH needs to quickly establish and stabilize their financial operations in the areas of cost allocation, budgeting, and expenditure reporting to provide accurate and timely financial reporting to the department, local stakeholders, their board of directors and management.