

December 1997

## REIMBURSEMENT SYSTEM FOR GROUP AND RESIDENTIAL CHILD CARE FACILITIES

### FACILITIES

Licensed group homes and residential child care facilities in North Dakota include:

Facility	Licensed Beds - July 1, 1997	Number of Children Whose Care Was Paid by Foster Care in June 1997
Charles Hall Youth Services, Bismarck	37	33
Eckert Youth Homes, Williston	16	13
Harmony House Group Home, Devils Lake	7	7
Home on the Range Sentinel Butte	79	68
Red River Victory Ranch, Fargo	12	10
Lake Oahe Group Home, Fort Yates	8	3
Prairie Learning Center, Raleigh	41	39
The Dakota Center, Fargo	10	9
The Dakota Center, Minot	49	42
<b>Total</b>	<b>259</b>	<b>224</b>

### RATE DEVELOPMENT PROCEDURES

The Department of Human Services, through its administrative rulemaking authority, develops procedures for reimbursing providers of services to children in group homes and residential child care facilities.

North Dakota Administrative Code Chapter 75-03-15 provides these guidelines.

After the close of each fiscal year, each facility prepares cost reports based on its costs for the previous fiscal year which are submitted to the Department of Human Services.

The cost reports are used to develop each facility's foster care reimbursement rate for maintenance (room and board) and service functions for the next fiscal year. Major components and calculations of the cost reports include:

1. Annual costs categorized as administration, maintenance (room and board), service, nonallowable, and non-foster care costs.
2. Allowable costs for maintenance and service functions of the facility are increased by the consumer price index for salary and other costs.
3. The administrative cost allocation is added to the maintenance cost but limited to 20 percent of the adjusted total maintenance and service costs for the year.
4. Based on total allocated costs for maintenance and service and the annual census of the facility, the daily maintenance rate and service rate are developed for the facility. The service rate is the lesser of the actual calculated monthly rate or \$300 per month.

Subsequent to submission of the cost reports, the Department of Human Services provider audit section audits the cost report information to adjust or confirm the new rates which become effective when the audit is complete. The following is a hypothetical example of a rate calculation for a facility:

	Annual Facility Costs					
	Total	Nonallowable	Administration	Non-Foster Care Programs	Maintenance	Service
Total costs	\$1,600,000	\$60,000 <sup>1</sup>	\$240,000	\$100,000 <sup>2</sup>	\$1,000,000	\$200,000
Adjustments to costs	(50,000) <sup>3</sup>				(50,000)	
Total allowable costs	\$1,550,000	\$60,000	\$240,000	\$100,000	\$950,000	\$200,000
Payroll adjustment <sup>4</sup>	20,000		3,000	1,000	9,000	7,000
CPI adjustment <sup>5</sup>	15,000	2,000	3,000	2,000	5,000	3,000
Adjusted total	\$1,585,000	\$62,000	\$246,000	\$103,000	\$964,000	\$210,000
Administration allocation					\$216,000 <sup>6</sup>	
Total allocated costs					\$1,180,000	\$210,000

	Annual Facility Costs					
	Total	Nonallowable	Administration	Non-Foster Care Programs	Maintenance	Service
Census <sup>7</sup>					18,000	18,000
Daily rate					\$65.56	\$11.67
Monthly rate					\$1,994	\$355
Limit						\$300
Requested rate					\$1,994	\$300

<sup>1</sup> Nonallowable costs include non-foster care activity costs - advertising and public relations expenses; interest on borrowed funds; religious salaries, space, and supplies; income taxes; self-employment taxes; and others.

<sup>2</sup> Non-foster care program costs may relate to education programs, religious programs, work programs, development programs, etc.

<sup>3</sup> Adjustments to total costs may include costs reimbursed from other sources such as the federal school lunch program.

<sup>4</sup> Payroll may be adjusted based on proposed salary adjustments for the subsequent year limited to the consumer price index (CPI) percentage.

<sup>5</sup> Costs other than payroll and property-related costs may be adjusted by the CPI rate.

<sup>6</sup> The administration allocation amount is the lesser of the actual allowable administrative costs [(\$964,000 + \$210,000 ÷ (\$1,585,000 - \$246,000) x \$246,000 = \$216,000] or the administration limit [(\$964,000 + \$210,000) x 20 percent = \$235,000].

<sup>7</sup> The census is the total resident days for the year.

## ADMINISTRATIVE CODE PROVISIONS

Major provisions of North Dakota Administrative Code Chapter 75-03-15 relating to the reimbursement system for these facilities include:

1. Historical costs for salary and fringe benefits will be adjusted for budgeted salaries for permanent employees as approved by a designated authority of the facility; however, the increase is limited to the consumer price index for urban wage earners and clerical workers, nonfood expenditure categories, United States city average, as of the ending day of the fiscal year of the facility reflected in the cost report.
2. Other costs of the facilities will be projected based upon the historical cost adjusted by the consumer price index in the all items category for the United States city average as of the facility's fiscal yearend.
3. A facility is expected to maintain an average annual occupancy rate of 75 percent.
4. Administrative costs are limited to 20 percent of the adjusted allowable costs for maintenance and service functions.
5. Maintenance rate allocations may include:
  - a. Salary and fringe benefits for direct care personnel, limited to the following:
    - (1) One supervisor of houseparents;
    - (2) Houseparents;
    - (3) Relief houseparents;
    - (4) Aides;
    - (5) Cooks;
    - (6) Janitors and housekeepers; and
    - (7) Laundry.
  - b. Actual food costs.

- c. Operating supplies.
  - d. Personal supplies and allowances, excluding payment, whether in cash or in kind, for work performed by the resident or for bonuses or awards paid based on behavior.
  - e. School supplies.
  - f. Clothing.
  - g. Recreation.
  - h. Utilities.
  - i. Telephone, excluding mobile phone costs.
  - j. Repairs.
  - k. Travel.
  - l. Leases/rentals.
  - m. Depreciation.
  - n. Insurance.
  - o. Medical.
  - p. Administration up to allowable maximums (20 percent of the allowable costs for maintenance and service).
6. Service rate allocations may include:
- a. Salaries and fringe benefits for social workers, psychologists, psychiatrists, nursing, and other professional social service staff;
  - b. Staff development;
  - c. Travel and phone costs related to evaluations and social service activities; and
- The determined rate is limited to the calculated cost generated in the cost report or the monthly amount authorized by the department (\$300), whichever is less.
7. Nonallowable costs include:

- a. Administrative costs, overhead, and other expenses paid on behalf of employees who are not direct care personnel;
- b. Advertising and public relations expenses;
- c. Any cost which has not actually been incurred by the facility;
- d. Bad debt expense;
- e. Costs incurred solely to enhance income from investments;
- f. Costs of securing contributions or donations;
- g. Costs related to income-producing activities, including farms, rodeos, grass cutting services, or gaming, whether or not the activity is profitable;
- h. Depreciation costs for idle facilities except when the facility is needed to meet caseload fluctuations;
- i. Dues and subscriptions for employees;
- j. Fines and penalties resulting from failure to comply with federal, state, and local laws;
- k. Interest expenses on borrowed funds or finance and late charges;
- l. Recreational costs for activities involving staff only;
- m. Religious salaries, space, and supplies;
- n. Research and development costs;
- o. Taxes, including federal and state income taxes, special assessments which must be capitalized, taxes from which exemptions are available, self-employment taxes, and taxes on property not used in providing maintenance for the resident; and
- p. Telephone costs attributable to personal usage by residents and employees.

### **FOSTER CARE REIMBURSEMENTS**

Based on fiscal year 1996 financial information provided by five of the seven group homes and residential child care facilities in North Dakota, income from foster care payments for maintenance and service provided the following percentages of costs during this year.

1. 46.5 percent of the facilities' total costs. This percentage is based on the total costs of these facilities which may include costs relating to educational programs, out-of-state facilities, religious programs, work programs, and other unallowable programs or services.
2. 69.9 percent of costs allocated to administration, maintenance (room and board), and service.
3. 85.1 percent of costs allocated to maintenance (room and board) and service.