

Maryland Department of Human Services (DHS)
Fiscal Year 2025 Budget Social Services Administration
Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Health and Human Services
Senator Cory McCray
February 16, 2024

House Appropriations Committee
Health and Social Services
Delegate Emily Shetty
February 19, 2024

Honorable Chair and Members of the Subcommittee, my name is Rafael López and I serve as the Secretary of the Maryland Department of Human Services (DHS). On behalf of our department, I thank Governor Moore, Lieutenant Governor Miller, the Department of Budget and Management (DBM), and the Budget Committees for their support. We are also grateful to the Department of Legislative Services Analyst Samuel Quist for his assistance leading up to today's hearing. Joining me at the table is Principal Deputy Secretary Carnitra White, and Acting Chief Financial Officer Kirill Reznik. We have senior members of our leadership team, including Executive Director of the Social Services Administration, Dr. Alger Studstill, and directors of our local departments of social services present in the audience as well.

DHS envisions a Maryland where all children are safe from abuse and neglect, children have permanent homes, and families are able to thrive. Maryland's 24 local departments of social services employ strategies to prevent child abuse and neglect, protect children, and preserve and strengthen families by collaborating with state and community partners. Maryland is building a system that improves family and child well-being with family-centered, child-focused, community-based services.

We are honored to serve the people of Maryland. We are guided in this work by the Moore-Miller Administration values and a commitment to leave no one behind. There are four key areas in our proposed budget that highlight our contributions to launching a new era of child welfare:

1. Implementing the Family First Prevention Services Act (FFPSA);
2. Ending aging out from foster care;
3. Creating a kin-first culture; and
4. Reforming how we compensate providers who care for Maryland's children and youth.



During the past year, we found:

- For years, DHS failed to draw down tens of millions of dollars in available federal funding to expand prevention services for families in crisis. In fact, Maryland has not drawn down a single dollar in federal funds for foster care prevention since the passage of the federal Family First Prevention Services Act in 2018. This has significantly impeded efforts to expand services for families in crisis during a timeframe where a global pandemic created increased need.
- Despite reducing entries into foster care over the last ten years, 64% of youth 14 and older aged out of Maryland foster care (FY2021). This is unacceptable and we must act with a new kind of urgency.
- Currently, only 23% percent of all children in foster care in Maryland are placed with kin. Best practice and research remind Maryland that placement with kin increases stability, results in better mental and physical health outcomes, reduces the risk that youth in foster care will be trafficked, and keeps children connected to family, community, and culture.
- DHS squandered opportunities to modernize our care provider rate framework to create a continuum of care that better meets the needs of Maryland's children and families. Many youth that do enter out-of-home placement often come to us with behavioral health and developmental needs. With a corresponding national decline in group-based placements, we must be ever more vigilant to ensure youth receive treatment services in Maryland. With rate reform, children and families will experience a streamlined placement process, higher quality and tailored services, and shorter lengths of stay.

Over the past nine months, we have:

- Committed to providing family-centered, child-focused, community-based services that promote safety and child well-being, and strengthens families. To draw down more federal funds, we are improving how we identify children who are eligible for federal IV-E funds when out of home placements are, in fact, necessary. For example, DHS could increase its Title IV-E foster care administrative revenue by \$1 million a quarter, or \$4 million per year. This funding is essential to Maryland's commitment to provide services for which children and families are eligible.
- Taken steps to create a kin-first culture in Maryland. DHS partnered with the Annie E. Casey Foundation to drill into our data and conduct a landscape analysis that we are using to develop strategies that promote lifelong well-being for youth and young adults.
- In partnership with the Maryland Department of Health, conducted weekly case management calls to review cases of youth in hospital overstay, identifying barriers to placement and moved with urgency to make sure more children transitioned into appropriate placements. The interagency group identified system level solutions to overcome placement barriers.
- DHS moved to identify regulatory and budget needs to reform Maryland's provider rate structure by FY25. We submitted regulatory changes for approval in January 2024, and a state budget submission for FY25.

In 2024, we will:

- Proactively address three of the top reasons children enter foster care: substance use disorder, mental health, and the challenges of parenting. We will proactively draw down federal funds for innovative services that prevent entry into foster care in the first place, while keeping Maryland families safely together. We are partnering with Chapin Hall and Casey Family Programs to implement best practices to help us actually participate in the federal Family First Prevention Services Act (FFPSA).
- Host a statewide working session with DHS team members, providers, and youth with lived experience to accelerate our work to support the well-being and life-long connections for transition-age youth in foster care. We will work to end “aging out” of foster care in Maryland moving forward.
- Move swiftly and continue to identify statutory, regulatory, and policy changes necessary to enable Maryland to adopt kin-specific licensing. Maryland will pilot new kin-specific licensing strategies in Baltimore City to refine and inform our statewide approach.
- Implement rate reform that has been stalled for well over a decade. DHS projects that we will draw down \$10.5 million in federal funding for direct care costs and \$7.6 million in Medicaid reimbursement for clinical services. The Governor’s Budget proposes a \$27 million dollar investment in rate reform to create a class-based rate structure that will improve providers’ ability to better serve children and families. This initial investment will enable Maryland to maximize federal funding, including the FFPSA, Title IV-E, and Medicaid to modernize and transform how services are delivered.

With these initial reforms and intentional state investments, Maryland stands poised to usher in a new era of child welfare practice and policy that will lead to better results for the children, youth, and families we have the honor to serve.

Response to DLS Analysis

1. DHS should comment on efforts that it is making to reduce the recurrence of maltreatment and the rate of victimization of youth in foster care. (pg. 5)

DHS Response: DHS has continuously remained above the national standard of 90.5% for avoiding recurrence of maltreatment; for FY23, Maryland was at 93%. We are working with local departments of social services and community partners to implement the federal Family First Prevention Services Act (FFPSA) to develop community based services that support caregivers in the areas of substance use disorder, mental health, and the challenges of parenting, which address some of the top reasons why children enter foster care.

We are redefining how we track data to identify factors leading to maltreatment of youth in foster care. Early analysis shows that youth often report an episode of maltreatment that occurred prior to entering foster care. The date of the report is captured, instead of the date of incident, which leads to an inaccurate depiction of this metric. We will continue to refine training of parents who foster children, as well as work with our provider community to improve treatment modalities and increase the implementation of evidence-based practices.

2. DHS should comment on the reasons for the large increases in the rate of placement moves over the past two fiscal years and the steps that it plans to take to minimize placement moves and disruptions on youth in care. (pg. 5)

DHS Response: There are limitations in our ability to quantify placement moves due to constraints built into the original design of MDTHINK and the primary application used by the Social Services Administration, the Child, Juvenile, and Adult Management System (CJAMS). To address the constraints, we are developing a metric to track placement changes within specific timeframes. The metric will categorize placements based on the level of restriction.

However, we know many youth that enter out-of-home placement come to us with behavioral health and developmental needs which require a short-term, high-level placement initially, and then step-down to a placement with a lower level of restriction. Another example of why a placement change will occur is when a child moves from a foster home to a kinship caregiver placement. Again, an initial placement is changed, but the change is necessary to serve the child's best interests.

As we shift to a kin-first culture across Maryland, we may see an initial increase in the number of placement moves. As we are more successful making kinship caregiving our first placement, the number of placement changes will decrease. Moreover, proactive measures such as mental health support and caregiver training will mitigate the rate of higher-level placements and reduce the number of placement moves.

3. DHS should comment on the reasons for the continued decline in the percentage of children exiting foster care to permanency within 12 months of entry and its efforts to increase this percentage. (pg. 6)

DHS Response: Sixty four percent (64%) of youth 14 and older aged out of Maryland's foster care system (FY2021), which is nearly twice as many older youth compared to national data. We are engaging youth, staff, and community partners in pursuit of our goal that no youth age out of care in Maryland. First, we are implementing Family First foster care prevention services to reduce the number of older youth requiring foster care in the first place. We are developing a kin-first culture to ensure that children and youth have permanent family connections and reduce the length of time children are in foster care. We are actively building our family finding strategies and supporting kinship caregivers.

We are also working to build a more collaborative relationship with the courts and legal partners to address barriers in achieving permanency for youth in care. This working relationship will address longer lengths of time to permanency due to parental substance use disorder treatment, consistency in court orders, and supporting concurrent planning. Additionally, we will work with children's attorneys who are likely to advise youth ages 14-17 to age out of care to be eligible for education and housing subsidies and other services from the Department. We are committed to ensuring all partners are aware of aftercare and support services for youth and families in their communities to sustain family reunification.

4. DHS should discuss the status of [legislative priorities] grant agreements and distribution of funds for these grantees. (pg. 9)

DHS Response: In September 2023, SSA issued \$150,000 in General Funds to Baltimore County Department of Social Services for respite care services using subprogram 7D34 PCA GD440. \$50,000 in general funds was issued via a grant agreement to CONCERN- Professional Services for Children, Youth and Families in October 2023. The grant was used to support children in foster care, recruit additional families, and retain current families.

Regarding the status of the \$500,000, this was a contract which was executed by the Baltimore City Department of Social Services with Paths for Families (formerly Adoptions Together) in September 2023.

5. DHS should comment on the specific planned uses of the \$28.3 million budgeted to support the implementation of provider rate reform and the planned uses of the \$12 million for rates set by IRC as it is unclear why there are separate pots of funding. The Department of Legislative Services (DLS) recommends the adoption of language restricting funding for provider rate reform and provider rate increases until a report is submitted outlining the specific uses of funding for the implementation of provider rate reform in fiscal 2025, an updated timeline for implementation, and the use of funds for provider rate increases. (pg. 14)

DHS Response: For nearly a decade, DHS has squandered opportunities to modernize the residential and child placement provider rate framework to create a continuum of care that better meets the needs of Maryland's children and families. The \$28.3 million investment supports the new placement provider rate structure to align rates with actual costs of care, provides flexibility for specialized services, and leverages federal funding. The \$28.3 million will support rate reform for 62 residential child care (RCC) or group homes. The new rate model moves RCC rates to a class-based model and was built on real cost data from Department of Labor and provider experiences.

The referenced \$12 million is designated for Interagency Rate Committee (IRC) rate increases that occurred in FY24 for all contracted providers with IRC rates. This allocation is to maintain these additional costs in FY25. This is not part of the fiscal note for rate reform; however, the new rate model cost was calculated based on the FY24 IRC rates.

6. Therefore, DLS recommends that \$7.0 million of the deficiency appropriation [for monthly placement costs] be deleted. (pg. 18)

DHS Response: We respectfully disagree with this recommendation. We have worked over the last year with our state agency and provider partners to fill critical gaps in Maryland's continuum of care for youth with complex physical and psychological needs. The rate structure, and its success, relies on the total amount of funds in the Governor's budget. Any cut will negatively affect our ability to implement the reform, jeopardize the model we are building to be responsive to children's needs, and place the state at additional legal risk when appropriate placements are not available. Of note, the State of Maryland is the only state in the United States currently litigating three class action lawsuits in child welfare.

7. ***DHS should comment on the reasons for this increase and efforts that it is taking to reduce the rate of reentry into foster care for children exiting to reunification. (pg. 25)***

DHS Response: There has been a consistent decline in the rate of reentry into foster care for children who reunify with their parent(s). However, more must be done to offer post-reunification services to support families and prevent re-entry into foster care. Through our Family First Prevention Services Act (FFPSA) foster care prevention efforts, we will expand the continuum of care by increasing the availability of supportive services for reunified families.

8. ***DHS should comment on the status of the approval of its revised [Cost Allocation Plan] CAP and the ability to seek federal reimbursement for the evidence-based prevention services that it is currently implementing while final approval of the CAP is pending. (pg. 30)***

DHS Response: The Department of Human Services amended its Public Assistance Cost Allocation Plan (PACAP) to add IV-E Prevention Services caseworker activities to the Social Services Time Study (SSTS), and to add IV-E Prevention Services cost centers. These updates to the PACAP have not yet received final federal approval. However, DHS has submitted claims based on the proposed plan amendment, which is permitted, and these claims have been paid.

9. ***DHS should comment on planned future efforts by the QRTP designation workgroup to solicit applications for additional QRTP providers. DHS should also comment on the State's current ability to claim federal Title IV-E reimbursement for funding of nonfamily-based placements in child care institutions longer than two weeks in duration. (pg. 33)***

DHS Response: We anticipate that in FY25 there will be 8 providers with the designation of QRTP. The additional providers will submit applications with their FY2025 budget request due February 15th. There are an additional seven providers receiving individualized technical assistance to meet the QRTP criteria. Providers may apply for a QRTP designation at any time.

DHS is currently unable to claim IV-E funding for nonfamily-based placements in child care institutions including QRTP-based placement because required federal IV-E claiming processes have not yet been instituted. DHS is establishing within the department the appropriate processes to claim for non-family-based placements, including independent living, mother-baby, and placements serving victims of human trafficking.

10. ***DLS recommends budget bill language withholding funds until an updated report containing this data as of September 1, 2024, is submitted. (pg. 34)***

DHS Response: DHS is pleased to provide this report. However, we respectfully disagree with withholding funds as it will delay the implementation of rate reform.

DLS Proposed Actions

11. Adopt the following narrative (pg. 35):

Add the following language to the general fund appropriation:

“, provided that since the Department of Human Services (DHS) Social Services Administration has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$250,000 of this agency’s administrative appropriation may not be expended unless:

(1) DHS has taken corrective action with respect to all repeat audit findings on or before November 1, 2024; and

(2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected.

The budget committees shall have 45 days from the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2025.

DHS Response: The Department respectfully disagrees with this proposed action. The Department acknowledges the importance of eliminating repeat findings and has implemented numerous corrective actions. However, there is no guarantee that these corrective actions will adequately address years of systemic deficiencies. Furthermore, restricting expenditure of administrative appropriations will have a major negative impact on service availability, and on the children and families of Maryland.

12. Add the following language to the general fund appropriation (pg. 35-36):

Further provided that \$250,000 of this appropriation made for the purpose of administrative expenses may not be expended until the Department of Human Services (DHS) submits a report to the budget committees on the number of child welfare services cases and positions required based on the caseload to meet the Child Welfare League of America (CWLA) caseload standards, by jurisdiction, for the following caseload types, as of September 1, 2024:

(1) intake screening;

(2) child protective investigation;

(3) consolidated in-home services;

(4) interagency family preservation services;

(5) services to families with children- intake;

(6) foster care;

(7) kinship care;

(8) family foster care;

(9) family foster homes- recruitment and new applications;

(10) family foster homes- ongoing and licensing;

(11) adoption;

(12) interstate compact for the placement of children; and

(13) caseworker supervision.

The report shall also include a discussion of specific actions taken by the department and local departments of social services to reallocate positions, including the number of positions reallocated by type (caseworker or supervisor) between jurisdictions and identifying the jurisdictions that these positions were transferred from and to, in order to ensure that all jurisdictions can meet the standards for both caseworkers and supervisors.

The report shall also include an update on the status of work done by CWLA to develop new workload standards for child welfare staffing, the completion by DHS of its child welfare workforce analysis, and broader efforts by DHS to improve recruitment and retention of caseworkers.

The report shall be submitted by November 1, 2024, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted.

DHS Response: DHS agrees with the addition of more detail to the caseload reports but offers the following amendments to align with the structure and roles within the Local Department of Social Services (LDSS).

(1) intake screening;

(2) child protective investigation;

(3) consolidated in-home services and interagency family preservation services (IFPS); Interagency family preservation services are often contracted to community providers. For LDSS where IFPS are provided by Department staff, there is shared caseload with consolidated in-home services due to the staff size of many LDSS.

(6) foster care, kinship care, family foster care, and adoption; These are not distinct categories of service units in LDSSs. Separating them out may create confusing or duplicative data reports as youth may occupy more than one category at time.

(9) family foster homes- recruitment and new applications- This role does not have a set or identified caseload and would just be a report on the number of FTE assigned these duties.

(10) family foster homes- ongoing and licensing;

(12) interstate compact for the placement of children; and This role is a process role and would not have a caseload associated to report on.

(13) caseworker supervision.

Our proposed amendments would increase the detail of the report in a manner that is more aligned with actual LDSS unit roles and responsibilities. DHS submits a caseload report annually and disagrees with the recommendation to restrict the use of funds until the report is submitted.

13. Add the following language to the general fund appropriation: (pg. 37)

Further provided that \$40,393,089 of this appropriation made for the purposes of rate reform and provider rate increases may not be expended until the Department of Human Services submits a report to the budget committees on the implementation of the new foster care provider rate structure for providers who have rates set by the Interagency Rates Committee. The report shall include details on the use of funding included in the fiscal 2025 allowance for this purpose, including the individual purposes that this funding will be used to support, and an updated timeline on when each component of the new provider rate structure will be implemented. The report shall also include an update on the approval of amendments to the State Medicaid Plan to allow for clinical care costs to be eligible for reimbursement and when federal reimbursement will be able to be first sought for these costs. In addition, the report shall discuss the use of the funding for provider rate increases including how the funding included in the fiscal 2025 allowance will be used in conjunction with funding supporting rate reform or otherwise. The report shall be submitted by July 1, 2024, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

DHS Response: DHS agrees to provide the requested report within the stated timeline. However, DHS disagrees with the recommendation to restrict the use of funds until the report is submitted. Restricting funds negatively impacts DHS ability to begin compensating providers according to the new rate structure at the beginning of the state fiscal year. DHS continues to advance provider rate reform with deliberate speed, however our timelines for implementing rate reform are subject to change by our child-serving agency partners in the IRC as well as AELR legislative review of proposed regulations implementing rate reform.

14. Adopt the following narrative: (pg. 38)

Hospital Stays by Youth in Out-of-home Placements: The committees continue to be concerned about children and youth experiencing stays in emergency rooms or inpatient hospital settings longer than is medically necessary. Data has been requested on hospital stays by children and youth in out-of-home placements for several years. In an effort to continue to monitor this issue, the committees request that the Department of Human Services (DHS) submit a report that provides data for each month of the period October 2023 through September 2024 on:

- ***the number of youth in out-of-home placement served in emergency rooms for psychiatric evaluation or crisis and the average length of stay (ALOS) by month;***
- ***the number of youth in out-of-home placement served separately by medical hospitals and inpatient psychiatric hospitals and ALOS by month;***
- ***the number of days that youth in out-of-home placements served in hospitals were in the hospital longer than was deemed medically necessary by either the hospital or a judicial finding separately by type of hospital; and***
- ***the placement type after discharge separately by type of hospital, including identifying the number of youths placed out-of-state after discharge for fiscal 2024.***

DHS Response: DHS agrees with adopting the recommended narrative.

15. Adopt the following narrative: (pg. 39)

Implementation of Provisions of the Family First Prevention Services Act (FFPSA): The committees are interested in continuing to receive updates on the implementation of evidence-based prevention practices and other services under provisions of the federal FFPSA and the outcomes of those programs and services for families and children served. The committees request that the Department of Human Services (DHS) submit a report including:

- ***a list of all evidence-based practices being implemented through fiscal 2024, including data on jurisdiction and the number of families and children served during the fiscal year;***
- ***any new evidence-based practices being implemented during fiscal 2025;***
- ***the status of the updated five-year Title IV-E prevention services plan;***
- ***data on the effectiveness of implemented evidence-based practices at preventing occurrences of subsequent maltreatment and out-of-home placements from occurring as well as an evaluation of any other outcomes related to parent and child well-being;***
- ***the current number of providers in the State that have received designation as a Qualified Residential Treatment Program (QRTP) to allow for federal reimbursement under the FFPSA, including if any additional providers received this designation during fiscal 2024 and if future solicitations of applications for QRTP designation are planned;***
- ***the status of the approval of the State's revised cost allocation plan, including a discussion of the current ability of DHS to seek federal reimbursement for evidence-based prevention practices; and***
- ***the number of children and families served and outcomes achieved through the Center for Excellence in Resource Family Development in fiscal 2024.***

DHS Response: DHS is pleased to provide the requested report and agrees with adopting the recommended narrative.

16. Add the following language to the general fund appropriation: (pg. 39)

Further provided that these funds are to be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose. Funds not expended shall revert to the General Fund.

DHS Response: We respectfully disagree with the recommendation. Foster care maintenance payments are directly implicated in our class-based care provider rate structure. Restrictions on funding for state funding for foster care maintenance may negatively affect our ability to implement rate reform and be responsive to children's needs. In order to achieve the maximum utility intended for rate reform, we are asking the General Assembly to provide budget flexibility necessary for addressing children's needs.

17. Add the following language to the general fund appropriation: (pg. 40)

, provided that these funds are to be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose except that funds may be transferred to program N00G00.01 Foster Care Maintenance Payments. Funds not expended or transferred shall revert to the General Fund.

DHS Response: We respectfully disagree with the recommendation. Restrictions on funding for Child Welfare Services could affect our ability to complement rate reform with a full continuum of family and child services. In order to achieve the maximum utility intended for rate reform, we are asking the General Assembly to provide budget flexibility necessary for addressing children's needs.

18.Reduce a portion of the general fund deficiency appropriation for increased placement costs within the Foster Care Maintenance Payments program. This reduction reduces the size of the proposed fiscal 2024 deficiency appropriation for this program from \$28.4 million to \$21.4 million and would leave a projected general fund surplus of \$5.2 million for the program in the case of increased placements and costs during the remainder of fiscal 2024. (pg. 40)

DHS Response: We respectfully disagree with this recommendation. We have worked over the last year with our child-serving state agency and provider partners to fill critical gaps in Maryland's continuum of care for youth with complex physical and psychological needs. The rate structure, and its success, relies on the total amount of funds in the Governor's budget. Any cut will negatively affect our ability to implement the reform, jeopardize the model we are building to be responsive to children's needs, and place the state at legal risk when appropriate placements are not available.