April 17, 2001

DEAR COUNTY DIRECTOR OF SOCIAL SERVICES

Subject: Changes to Foster Care Payment System

References: Memoranda from James B. Edgerton dated February 7, 2001 and March 14, 2001

As you are aware from memoranda signed by former Deputy Secretary Jim Edgerton, new “room and board” rates were implemented effective March 1, 2001 for use in supporting placements for foster children who receive Medicaid-funded residential treatment services in an authorized Level III or Level IV facility. The implementation of these new rates has required federal approval for the use of IV-E funds and significant changes to the automated Child Placement and Payment System (CPPS). The purpose of this letter is to provide you with an update on our progress in completing these activities.

Since the implementation of the IV-E Maximization program in 1991, federal regulations have prevented the use of federal IV-E funds to support foster care costs in excess of the Standard Board Rate unless the Division had established a specific Facility Rate for the applicable organization. On January 22, 2001, the Division formally submitted a written request to use federal IV-E funds to support foster care costs at the new room and board rate when Medicaid is paying for the cost of the residential treatment. This request was approved in a written response that we received on March 26, 2001. Although we are very pleased with the response, the timeframe required for this approval delayed the implementation of the necessary modification to the automated Child Placement and Payment System.

The implementation of the new room and board rates will add complexity to what is already a cumbersome process of reporting foster care costs. Medicaid will join IV-E, TANF, State Foster Home Funds and waiver funds as a source of payment that must be separately identified by the system and calculated into the reimbursement process. This will require revisions to facility identification numbers and accurate reporting by county DSS staff of costs billed to the Medicaid program by residential providers for authorized HRI Level III or Level IV services each month. This will also require technical changes to the automated reimbursement program and the manual
processing of reimbursement requests for the first several months. Unfortunately, these
changes cannot be completed in time to report March services by April 20th. We are,

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however, hopeful that the changes can be completed in time to report April services by
May 20th. Instructions for completing the DSS 5094 on behalf of affected children (i.e.
receiving Medicaid-funded Level III or Level IV treatment services in an authorized
facility) for the March month of service are attached. Retroactive payments for the
March month of service for claims for Level III or Level IV room and board should be
submitted after April 20th and before May 20th to the Division on Retroactive Payment
Request forms (see attached instructions and Vol. I: Children’s Services Manual,
Chapter IV: Section 1203.)

When the automated Child Placement and Payment System is modified, county
DSS staff will receive specific instructions on how to enter data on the child’s DSS 5094
that will allow reimbursement for room and board at the new rates. Please refer to the
memoranda from Jim Edgerton for information on applicable room and board rates.

REQUIREMENT FOR A FACILITY SPECIFIC IDENTIFICATION NUMBER

Please be aware that authorized Level III and Level IV facilities are licensed
under mental health rules by the state Division of Facility Services (DFS). In order for
any foster care reimbursement to be made on behalf of a child who is placed in a facility
that is licensed in this manner, the residential treatment facility must have a valid ID
number assigned in the Foster Care Facility License System (FCFLS). For facilities that
are licensed by DFS as therapeutic homes or residential treatment facilities, the
issuance of a “H” ID number is necessary. For facilities that are licensed by DFS as
Level IV facilities for children, the issuance of an ID number beginning with the letter “R”
is necessary. If the facility has not been issued an “H” or “R” ID number, the county
DSS or the facility must submit an application, along with a copy of the current DFS
license, to the Children’s Services Section for review and approval. A copy of the
revised application for an ID # is attached. Included at the bottom of this form is
information about the ID # approval and assignment process. Please copy this form as
needed.

When fully implemented, the new rates should have a positive impact on the
availability of treatment services for foster children and should reduce unreimbursed
county costs. We greatly appreciate your patience with the time required to make the
necessary administrative changes. If you have questions regarding the information in
this letter, the reporting of March foster care costs, or the new room and board rates,
please contact Elsie Roane at (919) 733-4622 or e-mail her at elsie.roane@ncmail.net.

Sincerely,

Charles C. Harris, Chief

An Equal Opportunity/Affirmative Action Employer
CS/08/2001
CC: Chip Modlin
    Nancy Coston
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    Charles Davis
    Martha Kaufman
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Children’s Services Team Leaders
Children’s Services Program Representatives
Local Support Managers
Austin Connors
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