

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, California 95814



September 22, 2005

ALL COUNTY LETTER NO. 05-25

TO: ALL COUNTY WELFARE DIRECTORS
 ALL CHIEF PROBATION OFFICERS
 ALL COUNTY ADOPTION AGENCIES
 ALL GROUP HOME PROVIDERS
 ALL FOSTER FAMILY AGENCIES
 ALL LOCAL MENTAL HEALTH DIRECTORS

**REASON FOR THIS
 TRANSMITTAL**

- State Law Change
 Federal Law or Regulation Change
 Court Order
 Clarification Requested by One or More Counties
 Initiated by CDSS

SUBJECT: BIENNIAL RATE APPLICATION REQUIREMENT

REFERENCE: ASSEMBLY BILL 1752 (CHAPTER 225, STATUTES OF 2003) WELFARE AND INSTITUTIONS CODE SECTIONS 11462(a)(3), 11463(i) AND 11466.2(a)

The purpose of this All County Letter (ACL) is to provide information on the biennial rate application regulations for group home and foster family agency providers. The passage of Assembly Bill (AB) 1752 (Chapter 225, Statutes of 2003) made changes to the rate application submission requirement applicable to group home and foster family agencies. The legislation mandates that the California Department of Social Services (CDSS) determine the rate classification level (RCL) for each group home program and rate category for each foster family agency on a biennial basis according to a schedule to be determined by CDSS. The legislation states that implementation of that mandate be done by adoption of regulations on an emergency basis.

Adoption of these emergency regulations amend the existing policies and procedures to the annual system and implement a biennial system as required by statute. These regulations revise the rate application/request due date and rate effective date, revise the penalty provisions for late applications, revise the due dates related to "good cause" extensions, and add definitions necessary for clarity. These regulatory amendments are necessary to implement a biennial rate setting system that is coherent and equitable to the persons who are subject to them.

Major Changes in CDSS Manual of Policies and Procedures (MPP) Division 11-402 Regulations

The following is a description of the major changes made via these emergency regulations to the rate application process. Counties should note that these emergency regulations are now online at <http://www.dss.cahwnet.gov/ord>. The CDSS Office of Regulation Development no longer provides paper copies of regulations.

Rate Application: The emergency regulations define the rate application as a "complete rate application" and identify the specific documentation that constitutes a complete rate application. This is an important change because the rate effective date and the penalty provisions are based on "complete rate applications". Because the rates are now set for a two-year period, it is important that the rate application contain all the required and up-to-date documentation needed to set the rate.

Rate Application Documents and Renewal Process: Group home and foster family agency providers will be required to submit rate applications at a time determined by the CDSS based upon their program number and the corporate accounting fiscal year. The rate application renewal process will be based on an odd/even system. For example, for all providers whose first four program numbers end in an odd number (ex. 2005.00.01), the rate application renewal will be due in an odd year and require data for a two-year period. Alternately, for all providers whose first four program numbers end in an even number (ex. 2006.00.01), the rate application renewal will be due in an even year and require data for a two-year period. All rate application forms have been modified to collect data based on the provider's corporate fiscal year.

Request Due Date: Due dates for complete rate applications have been changed to after the end of the corporation's fiscal year rather than May 1st or July 1st. This was done to ensure that all information needed for submission by all providers is available. The CDSS Foster Care Rates Bureau will issue letters to providers informing them of the application process and the documentation required.

Effective Date of the Rate: The effective date of the rate will be the first day of the second full month following the rate application due date. For example: the due date for the complete rate application is January 1st. Since January is not counted the second full month following January is March. The effective date of the rate in this example is March 1st.

Self-Dealing Transactions: The approval letter from the State Attorney General's Charitable Trust Section which was required as a verification of review and approval of shelter costs, including self-dealing transactions, has been deleted. Self-dealing transactions are no longer authorized. This change has been made to remain consistent with Senate Bill (SB) 1104 (Chapter 229, Statutes of 2004) which authorizes self-dealing lease transactions for shelter costs until the date that lease expires, is modified, extended or terminated, whichever occurs first. Providers will be "ineligible to receive an AFDC-FC rate after that date if they have entered into any self-dealing lease transactions for group home shelter costs".

Good Cause Procedures: There has been a slight revision of the due dates for timely submission of a good cause request for rate applications. The expansion of the time period for submission of a good cause request accommodates providers who make a good cause request farther in advance than the previous five day requirement.

Penalty Procedures for Late or Incomplete Applications: The penalty procedures for a late or incomplete application were changed to maintain consistency with the biennial rate application process. The existing penalty procedure was predicated on the allocation of a cost-of-living adjustment (COLA) provided by the Legislature each fiscal year. Because of the change to a biennial requirement, the existing penalty procedure created an inequity among providers depending on when submission of the application is required and whether a COLA is provided. This new penalty procedure is not contingent upon a COLA and continues to promote program integrity.

Audit Procedures: Audit procedures have been modified to accommodate the biennial rate application process. Since data reporting has been changed to include data for the previous two-year period based on the corporation's fiscal year, the non-provisional audit period will be based on one year of the corporation's reported fiscal year. Providers are reminded that the provision to maintain program records for a minimum of five years and make them easily accessible to any CDSS staff conducting program audits continues to be applicable. Additionally, any non-provisional audit conducted on programs that have not been established on a biennial basis will be conducted in accordance with the regulations in effect on January 1, 2005.

The Foster Care Rates Bureau will issue a Foster Care Audit and Rates Letter (FCARL) to providers identifying those providers who will be required to submit their rate application, the due date for submission, and identify all documentation required for a complete rate application.

The emergency regulations package containing these changes was effective August 1, 2005. The public hearing on this regulation package was conducted on September 14, 2005.

If you have any questions related to the promulgation of these regulations, rates, the ratesetting process or the new biennial rate application process, please contact the CDSS Foster Care Rates Bureau, Rates Unit at (916) 651-9158.

Sincerely,

Original Document Signed By

MARY L. AULT
Deputy Director
Children and Family Services Division