

**DEPARTMENT OF PUBLIC WELFARE  
LOSS OF CHILD WELFARE TITLE IV-E FEDERAL FUNDING  
BACKGROUND**

- From January 2005 through March 2006, the federal Department of Health and Human Services (HHS) Administration for Children and Families (ACF) Region III has withheld federal Title IV–E reimbursement of \$137.8 million critical to support the Commonwealth’s child welfare program, which annually serves over 280,000 children and youth.
- If ACF continues its current practice of disallowing funds; each future quarterly claim will result in an estimated \$22 million loss in federal funds.
- Without this federal funding, the Commonwealth must access how to repay the \$137.8 million incurred to date.
- For SFY 2006-2007, if ACF continues to disallow these pre-placement claims, and if the Commonwealth decides to pay the claims, it will cost the Commonwealth \$50 million annually and it will cost the counties an additional \$38 million annually to maintain the current level of children’s services.
- In January 2005, ACF Region III commenced a compliance review of Pennsylvania’s federal financial claim under Title IV-E for the “pre-placement category.” The pre-placement category relates to activities for children who without in-home preventative services would be placed out of home.
- In what appears to be an unprecedented action, ACF, prior to looking at any records, stopped virtually 100 percent of payments for Pennsylvania’s financial claim related to this pre-placement activity. This represents a denial of almost ALL payments for Pennsylvania’s claims, effectively implying that there are no qualifying pre-placement administrative activities in the Commonwealth. We are unaware of this type of broad based disallowance occurring at the commencement of a review in any other state.
- ACF has retroactively changed its interpretation of the rules regarding the claiming of pre-placement activities and this new interpretation was not communicated to Pennsylvania prior to the withholding of federal funds. For instance, ACF changed their review tool during the course of the review, without any explanation to add new bases for disallowing the claim. In other instances, it appears that ACF rejected forms solely based on the fact that Pennsylvania uses the phrase “out-of-home” versus “foster care” for the planned placement if the child must be removed from the home.
- ACF Region III, could give no examples of a state claiming correctly, yet Pennsylvania appears to be the only state being singled out for application of the new interpretation. To our knowledge, no other state in Region III has had their pre-placement funds totally disallowed.
- The actions taken by ACF are unreasonable. Pennsylvania has followed the same basic reporting methodology for the last 20 years, without any disallowance from ACF until this recent review.

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- Pennsylvania has been submitting federal claims in good faith based on our federally-approved methodology and was shocked at ACF's actions to disallow all related costs.
- Pennsylvania is committed to working with ACF to resolve claiming issues going forward as of July 1, 2006, but ACF must reactivate federal funding and pay previously disallowed funds based on the rules in place at the time of claiming.
- What we want is for ACF to release the funds that have been withheld to date and pay the claims submitted through June 30, 2006. DPW staff will continue to meet with ACF staff in an effort to resolve the disputed claims.

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Random Moment in Time Methodology – Pennsylvania’s Administrative Claiming Methodology

Annually, Pennsylvania through our 67 counties draws down approximately \$150 million to support eligible Title IV-E administrative child welfare costs. The draw down is based on a process called a Random Moment Time Study (RMTS). Pennsylvania has been using the RMTS methodology since the mid-1980s. In Pennsylvania, our RMTS process is activity based, not child specific. Each quarter, approximately 3,000 moments in time are sent randomly to county workers, who record what type of activity they are doing at that precise moment. The completed observation forms (to record the moment) are aggregated statewide to determine the percentage of time a typical county worker spends on certain activities (some activities are eligible for federal reimbursement such as pre-placement activities; other activities are not eligible such as non-client specific administrative activities). Each county uses the aggregate statewide RMTS results to allocate its county administrative costs across the various Title IV-E allowable and non-allowable activities. The allowable costs are submitted to the federal government for appropriate reimbursement.

This RMTS process has been approved by ACF since its inception and is part of the Department’s annual Cost Allocation Plan. While the methodology has been enhanced over the years to reflect changes in federal requirements and to strengthen our own documentation of the process, it has not materially changed since the 1997 revision. In fact, until very recently, Pennsylvania has never received any notice from the federal government concerning our claiming methodology. Therefore, Pennsylvania has in full faith been claiming federal dollars based on an approved federal methodology.