

Department of Children's Services
Summary of Impact of Federal Funds Cuts Mandated by DHHS and Strategy to Mitigate

1 DHHS unilaterally made a number of rule changes in the first quarter of this year, two of which substantially affect Tennessee's DCS. These are:

a) Elimination of payments for rehabilitation services for children, which would eliminate about \$60 million federal dollars from the program. This change has not gone into effect, and by DHHS's own internal processes is likely to not become effective as it is in conflict with the legal requirements of ESPOT. While there is a small risk of this happening, it is minor, and this will not be discussed further here.

b) Elimination of payments for medical case management services performed within DCS; this eliminates about \$73 million in support for a key feature of DCS: targeted case management (TCM). These funds were eliminated as of March 1, and we have been carrying the federal portion out of TennCare reserves and plan to do so until June 30 in order to give us a chance to work out any alternate solution before dismantling a key part of DCS. It is this federal cut that is discussed below.

2 There are two possible outcomes over the next couple of months to the TCM cuts:

a) We are working in Washington with the delegation and others to reverse these administrative cuts through Congressional action. The cuts affect virtually all states in some fashion, and there is a possibility (but far from a certainty) that the Congress will make this issue go away.

b) We also need to plan for the very real prospect of making substantial cuts in other areas of DCS to preserve this core program, which is vital in serving our children and in addressing the requirements of the Brian A lawsuit.

3 The required cuts will include some painful items, such as the elimination of many grants to juvenile courts and community agencies who deal with children, and layoffs (currently estimated at about 160) from DCS administrative positions.

4 The state has undertaken over the past 5 years a significant strategy to upgrade the targeted caseworker corps, about 2000 individuals. Salaries have been increased 30% to improve recruiting and retention, and we have now a better-paid and better-trained group of caseworkers. This has been a key part of the strategy to serve our children better and address the requirements of the Brian A lawsuit. If layoffs occur under the current civil service rules, we will lose many of these newer caseworkers through the bumping provisions of civil service. This would set us back years.

5 We are going to request the legislature to alter the civil service law to protect these caseworker positions from bumping. All other aspects of the civil service regulations will remain in place.

6 Targeted case management represents a unified approach to meeting the needs of a child, with one caseworker responsible for all aspects of that child's care rather than separate caseworkers for each of the specialized programs (medical, behavioral, educational, etc.).

7 All of this is separate from the budget issues the state faces across the board and which will require budget reductions in many other areas.