

CSA Private Day Special Education Rate Fiscal Impact Study 2022

Commonwealth of Virginia
Office of Children's Services

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EXECUTIVE SUMMARY

Public Consulting Group LLC (PCG) was contracted by the Commonwealth of Virginia Office of Children’s Services (OCS) to study the current rates paid by localities to private day special education programs licensed by the Virginia Department of Education (DOE) and to develop findings and recommendations based on the analysis of these rates.

In November 2021, PCG proposed a tiered rate model for private day special education programs based on a cost study. The 2022 Virginia General Assembly directed the Office of Children’s Services to implement the rate setting effective July 1, 2023 and to develop, a fiscal impact estimate of the rate changes (Chapter 2, Item 285.B. (2022 Special Session 1)). To understand the potential fiscal impact of the proposed rates, PCG was provided actual program expenditure information from the OCS LEDRS system submitted for August 2022 through November 2022 for comparison to the 2021 cost study proposed rates (with inflation-adjusted rates, see below under [description of tier model](#)). Data was collected by OCS and consolidated into one file for ease of review, quality assurance, and analysis. For analysis, private day special education programs that have multiple locations were grouped together and analyzed both individually and as one entity.

The fiscal impact analysis estimates an overall spending increase of 12%, based on data available for review as of December 1, 2022. This extrapolates to a \$20.5 million increase in annual spending (from FY2022) for this service if the proposed tiered rates are implemented.

Three Key Fiscal Impact Analysis Takeaways If the proposed tiered rates are implemented...	
	The average daily rate per child would increase from \$316.15 to \$354.17 (12%), extrapolating to a \$20.5 million increase in overall spending.
	75% of individual private day school programs would experience a daily rate increase at an average of \$74 per child. 25% of individual private day school programs would experience a daily rate decrease at an average of -\$49 per child.
	The fiscal impact is primarily driven by the proposed tiered rates for children receiving 1:1 support.

I. PROJECT GOALS

This project was authorized to conduct a fiscal impact analysis study of the current rates paid by localities to private day special education programs licensed by the Virginia Department of Education (DOE) and funded through the Children’s Services Act (CSA) in comparison with the proposed rates from the 2021 rate study. Specific goals included:

- Overall comparison between the proposed tiered rates and the current paid rates across all schools to understand the fiscal impact to the state, and
- Analysis of the impact of the proposed tiered rates on individual schools.

II. STAKEHOLDER MEETINGS

PCG invited all private day school providers, public school special education administrators (VCASE), and local CSA leaders to participate in focus groups and training sessions to discuss the proposed rate changes and process for collecting fiscal impact data. **Table 1** below lists all such meetings.

TABLE 1: STAKEHOLDER MEETINGS

Meeting Date	Engagement Type	Summary
January 21, 2022	Focus Group with private schools	Focus group held to gather information on implementation needs and challenges.
January 27, 2022	Focus Group with private schools	Focus group held to gather information on implementation needs and challenges.
January 27, 2022	Focus Group with CSA	Focus group held to gather information on implementation needs and challenges.
January 28, 2022	Focus Group with VCASE	Focus group held to gather information on implementation needs and challenges.
April 21, 2022	Focus Group with CSA and VAISEF Advisory Committee	Reviewed the draft guidance training information.
June 17, 2022	Stakeholder Training	Training provided on new rate tools and information shared on upcoming fiscal impact analysis.
June 29, 2022	Stakeholder Training	<i>Second training option.</i> Training provided on new rate tools and information shared on upcoming fiscal impact analysis.
August 30, 2022	Provider Meeting	Discussed specialized services challenges.
September 12, 2022	Provider Meeting	<i>Second provider meeting option.</i> Discussed specialized services challenges.
Ongoing	Consultation and Technical Assistance	Ongoing consultation and technical assistance were available by request via email between July-December 2022 to address questions about data collection for the fiscal impact analysis.

Below is a summary of recurring themes gathered during stakeholder sessions.

- For schools with specialized services for Autism, the cost of the Board Certified Behavior Analyst (BCBA) positions were significantly higher than a teacher's salary position, therefore increasing cost.
- Due to inflation and other factors (such as specialized services), overall proposed rates may not meet the program cost needs.
- Typically, budgeting is based on a program as opposed to the number of students; however, staffing levels are considered as part of budgeting for a program.

In response to the feedback received, adjustments were adopted by the Office of Children's Services to allow flexibility in billing for BCBA services directly delivered to students, as well as an inflation adjustment for the 2022-2023 proposed tier rates. Additional information on the inflation adjustment can be found under the [description of the tier model](#) section below.

III. METHODOLOGY AND LIMITATIONS

DATA COLLECTION PROCESS

PCG sent letters to all DOE-licensed private day special education programs, which included the expectations and plan for the fiscal impact analysis. PCG provided all schools with the data collection tool and instructions for how to provide the requested information on June 17, 2022. Virtual training sessions were held on June 17, 2022, and June 29, 2022, to review how to complete the data collection tool. Schools were "walked through" the instructions and the PCG team answered questions. The training was recorded, and the recording was provided to schools along with written instructions for how to complete the data collection tool. Schools were able to submit questions to the PCG team by email throughout the data collection period.

FISCAL IMPACT ANALYSIS

Schools submitted the data collection tool to OCS, including information under which of the proposed rate tiers their current students (in the 2022–2023 school year) would be served, if the new rate structure were in effect. OCS consolidated the data into one file for PCG to analyze. PCG conducted quality assurance of the data set before analyzing it. In consultation with OCS, PCG removed duplicates, grouped the different programs by school, filtered out July dates (for previous school year data), and identified and removed erroneous data and outliers.

To perform a fiscal impact analysis on this data set, PCG considered the overall cost of implementation of the proposed rates, including the number of students within each rate, the average, minimum, and maximum rates paid currently, the difference in cost under the new rate system for students, and the number of programs and groups with a negative fiscal impact and the number of students in these programs.

LIMITATIONS

PCG and OCS cited the following limitations in our fiscal impact analysis:

- There were more than 3,800 students served by private day special education programs last year (FY2022), but this study only received information for 1,569 students. This is a result of the cut-off for data collection being December 1, 2022. The fiscal impact estimate assumes that the larger population of students is similar to the sampled population of students.
- Some providers with multiple locations recorded multiple programs under the same name, resulting in creating groups of programs to capture the costs across the entire organization.
- The analysis is based on the data collected, which relied on the schools to self-report the tiers in which children were served.
- The analysis is based on current rates and does not consider any external factors that may affect the fiscal impact, including additional rate increases granted to schools going forward.

IV. DESCRIPTION OF THE TIER MODEL

In the [2021 cost study](#), PCG proposed nine (9) base rate models using three different teacher-to-student ratios, each with three different teacher aide-to-student ratios. These models allow for a range of programs to meet student needs and mirror the programs currently being utilized. A 23% salary add-on is proposed for programs in northern Virginia to account for a higher cost of living in those areas. The Northern Virginia (NOVA) geographic area was identified using the geographic area and pay band differential guidance issued by the Virginia Department of Human Resource Management for Northern Virginia.

In the *2021 Cost Study of Private Day Special Education Programs Report*, a projected inflation factor of 7% was applied to adjust the rates upward for implementation, however based on U.S. Bureau of Labor Statistics, inflation had increased to 10.85%. An adjustment was made to increase the proposed rates by an additional 3.85% to account for the actual inflation impact.

From the [2021 Cost Study](#) of Private Day Special Education Programs Report:

“Programmatic costs were collected from schools to reflect the expenses incurred during the FY19 school year. Since budget models were created to reflect costs in 2022, a cost adjustment factor was calculated. The cost adjustment factor (CAF) was determined using the most recent Consumer Price Index (CPI) data published for Virginia and the surrounding area by the U.S. Bureau of Labor Statistics. CPI data for all items was used for the CAF data. The percent difference in the costs in 2019 compared to 2022 was calculated to be about 6.85%. Therefore, an additional 7% of all budget costs was added into the daily rates for the cost adjustments that occurred between 2019 – 2022”.

Below, Table 2 shows the recommended rates from the 2021 Cost Study of Private Day Special Education Programs Report with the additional 3.85% adjustment.

TABLE 2: COST STUDY PROPOSED RATES

Model	Teacher-to-Student Ratio	Support Staff to Student Ratio	Base Rate	Northern Virginia (NOVA) Rate
1	1:3	1:1	\$522.49	\$623.17
2	1:3	1:2 – 1:3	\$354.86	\$420.10
3	1:3	1:4+	\$312.94	\$369.33
4	1:4 – 1:7	1:1	\$466.00	\$554.67
5	1:4 – 1:7	1:2 – 1:3	\$298.35	\$351.59
6	1:4 – 1:7	1:4+	\$256.46	\$300.84
7	1:8+	1:1	\$434.21	\$516.12
8	1:8+	1:2 – 1:3	\$266.58	\$313.07
9	1:8+	1:4+	\$224.67	\$262.29
*North Virginia (NOVA) geographic add-on (23% increase based on staff costs) was calculated for schools in the counties of Fairfax, Arlington, Prince William, and Loudoun and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park				

V. FISCAL IMPACT FINDINGS

The fiscal impact analysis focuses on two aspects of the implementation of the proposed tiered rates: the overall cost of implementation and the financial impact to the schools.

RATE ANALYSIS

PCG analyzed CSA expenditure data (daily tuition rate) for **1,566** students attending a special education private day school in the state of Virginia during the months of August through November 2022. Figure 1 shows how these students would be distributed across the proposed tiered rates if the rates were in effect. The tier with the highest number of students was **tier 6** with **337 students**. The lowest number of students was in **tier 8 NOVA** with **5 students**. **Tier 3 NOVA** had no students recorded in the tier.

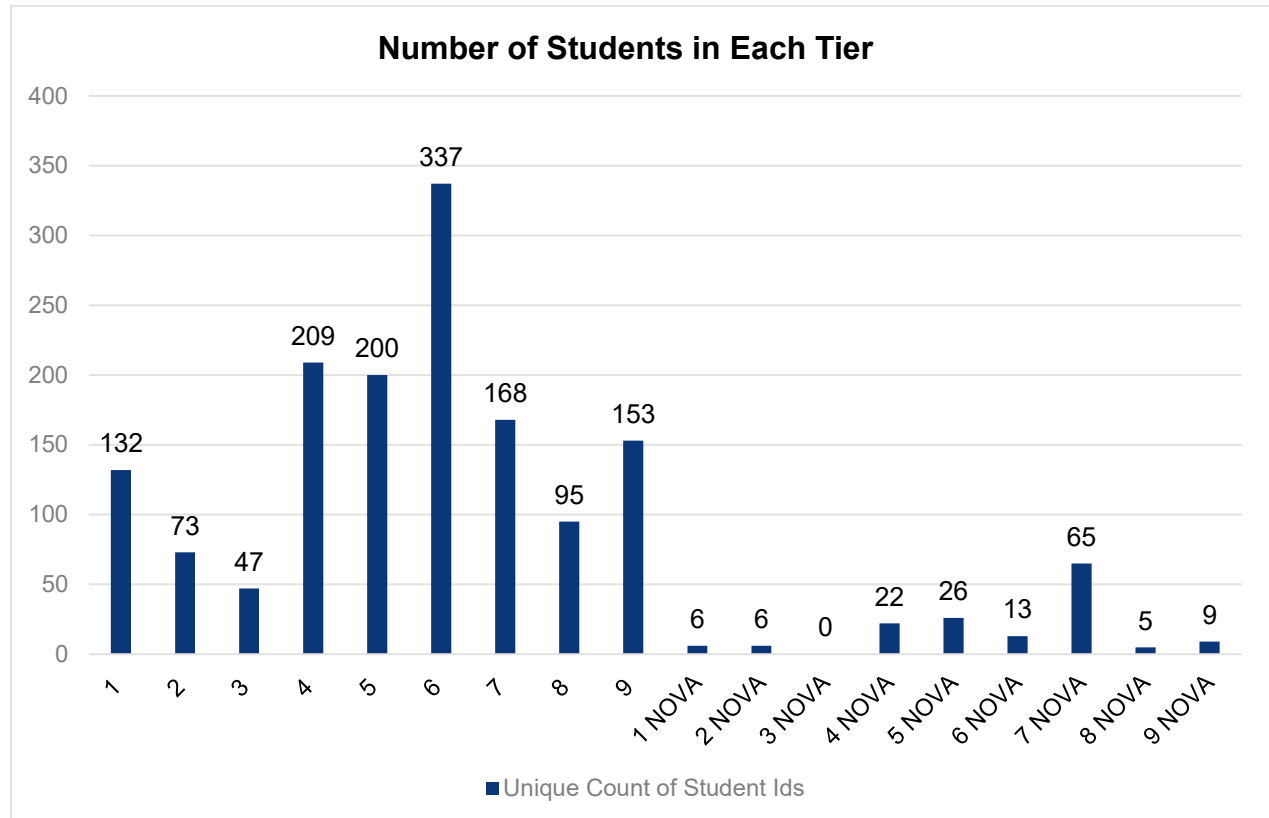


FIGURE 1: STUDENT DISTRIBUTION ACROSS THE PROPOSED RATE TIERS

In Table 3 the “Current Average Daily Rate” column shows the average rate charged for students within each proposed tier under the existing model of billing. Some of these averages are lower than the proposed tiered rates, indicating that the state is paying less on average for these tiers than the rate study rate recommended. For example, in model tier 1, the average rate is **\$294.84**, which is significantly lower than the proposed rate of **\$522.49**. The data showed the model tiers with the highest daily differences are tiers 1, 4, 1 NOVA, 4 NOVA, and 7 NOVA. In these tiers, the proposed rates are higher than the average rates currently paid. The daily difference was calculated by multiplying the number of students within each model tier by the proposed rates and comparing that to the sum of purchase orders submitted by schools for those students. The tiers that have a higher proposed rate than the current average paid rates have the biggest fiscal impact even if the tier does not have a lot of students. For example, tier 1 shows the largest daily difference of **\$29,970.57**, although only 132 students were identified in that tier. The cells highlighted in red represent tiers that would experience a negative fiscal impact to the CSA under the proposed tiered rates, with the negative impact ranging from under \$200 per day to roughly \$4,500 per day.

TABLE 3: TIER PRICE COMPARISON

Model Tier	Proposed Tiered Rates	Current Average Daily Rate	Unique Count of Student Ids	Current Cost per Day (actual PO)	Proposed Tiered Rates Cost per Day	Daily Difference
1	\$522.49	\$ 294.84	132	\$38,998.11	\$68,968.68	\$29,970.57
2	\$354.86	\$ 316.63	73	\$23,114.32	\$25,904.78	\$2,790.46
3	\$312.94	\$ 324.85	47	\$15,268.10	\$14,708.18	-\$559.92
4	\$466.00	\$ 356.55	209	\$73,909.79	\$97,394.00	\$23,484.21
5	\$298.35	\$ 317.26	200	\$63,451.23	\$59,670.00	-\$3,781.23
6	\$256.46	\$ 263.34	337	\$88,757.11	\$86,427.02	-\$2,330.09
7	\$434.21	\$ 400.21	168	\$67,635.01	\$72,947.28	\$5,312.27
8	\$266.58	\$ 313.63	95	\$29,794.80	\$25,325.10	-\$4,469.70
9	\$224.67	\$ 244.28	153	\$37,374.29	\$34,374.51	-\$2,999.78
1 NOVA	\$623.17	\$ 436.93	6	\$2,621.55	\$3,739.02	\$1,117.47
2 NOVA	\$420.10	\$ 383.25	6	\$2,299.50	\$2,520.60	\$221.10
3 NOVA	\$369.33	\$ 0.00	0	\$0.00	\$0.00	\$0.00
4 NOVA	\$554.67	\$ 366.81	22	\$8,069.90	\$12,202.74	\$4,132.84
5 NOVA	\$351.59	\$ 365.29	26	\$9,497.60	\$9,141.34	-\$356.26
6 NOVA	\$300.84	\$ 353.59	13	\$4,596.64	\$3,910.92	-\$685.72
7 NOVA	\$516.12	\$ 387.08	65	\$24,773.06	\$33,547.80	\$8,774.74
8 NOVA	\$313.07	\$ 350.99	5	\$1,754.95	\$1,565.35	-\$189.60
9 NOVA	\$262.29	\$ 352.67	9	\$3,174.04	\$2,360.61	-\$813.43
Total			1,566	\$495,090.00	\$554,707.93	\$59,617.93

Table 4 shows the number of students in each tier that currently receive a rate that is higher than the proposed rate.

TABLE 4: STUDENTS AND RATES

Model Tier	Unique Count of Student Ids	Count of Students Currently Receiving a Rate Higher than the Proposed Rate	Percent of Students Receiving a Higher Rate than the Proposed Rates
1	132	4	3.03%
2	73	17	23.29%
3	47	28	59.57%
4	209	1	0.48%
5	200	130	65.00%
6	337	143	42.43%
7	169	43	25.44%
8	95	74	77.89%
9	153	66	43.14%
1	6	0	0.00%
2	6	0	0.00%
3	0	0	N/A
4	22	0	0.00%
5	26	24	92.31%
6	13	12	92.31%
7	64	5	7.81%
8	5	4	80.00%
9	9	9	100.00%
TOTAL	1,566	560	35.76%

The rate analysis revealed that if the new rate model were implemented, it would result in an increase of **\$59,618** a day (**\$38/child**). When extrapolated against the number of students served in FY2022, this would result in a **\$20.5 million increase in total spending overall (12% increase)**.

TABLE 5: FISCAL IMPACT

Difference in Daily Rate Per Child Analysis	
Difference in Daily Cost per Child	\$38.07
Percent Difference in Cost per Child per Day	12%
FY22 Total CSA Spending for Private Day Special Education (less ancillary service costs)¹	\$170,533,327
12% Projected Increase to Total FY22 Spending (Total Fiscal Impact)	\$20,463,999
State CSA Share of Impact (66%)	\$13,506,240
Local CSA Share of Impact (34%)	\$6,957,759

PROGRAM/PROVIDER ANALYSIS

The data was analyzed to determine the overall fiscal impact of the new rates on individual providers. This was done by comparing the actual purchase order (PO) payments under the existing rates to the payments that would be made under the proposed tiered rates, as well as by identifying the number of programs and groups with a negative fiscal impact (proposed rates would be less than existing rates) and the number of students in these groups. There were 219 programs (listed in the CSA billing data) and 41 groups included in this analysis.

TABLE 6: PROGRAM IMPACT

Impact Information	
Number of Individual Programs	219
Number of Provider Groups	41
# of Programs with Negative Fiscal Impact	56 (26%)
# of Groups with Negative Fiscal Impact	10 (24%)
# of Students in Groups with Negative Fiscal Impact	331 (36%)

There are some programs and groups that would be negatively impacted by the proposed rates. There were ten (10) groups (with a total of 56 programs) with a negative fiscal impact, serving 331 students. The chart below shows how these 331 students are distributed by model tier. The tiers with the most students impacted is tier 5 which is the 3rd highest number of students, and tier 8 with the second lowest tier model rate.

¹ Ancillary services include specific interventions included in a student's IEP (e.g., speech/language therapy, physical therapy, applied behavior analysis) that when delivered directly to the student, are billed separately and apart for the daily rate addressed in the fiscal impact study.

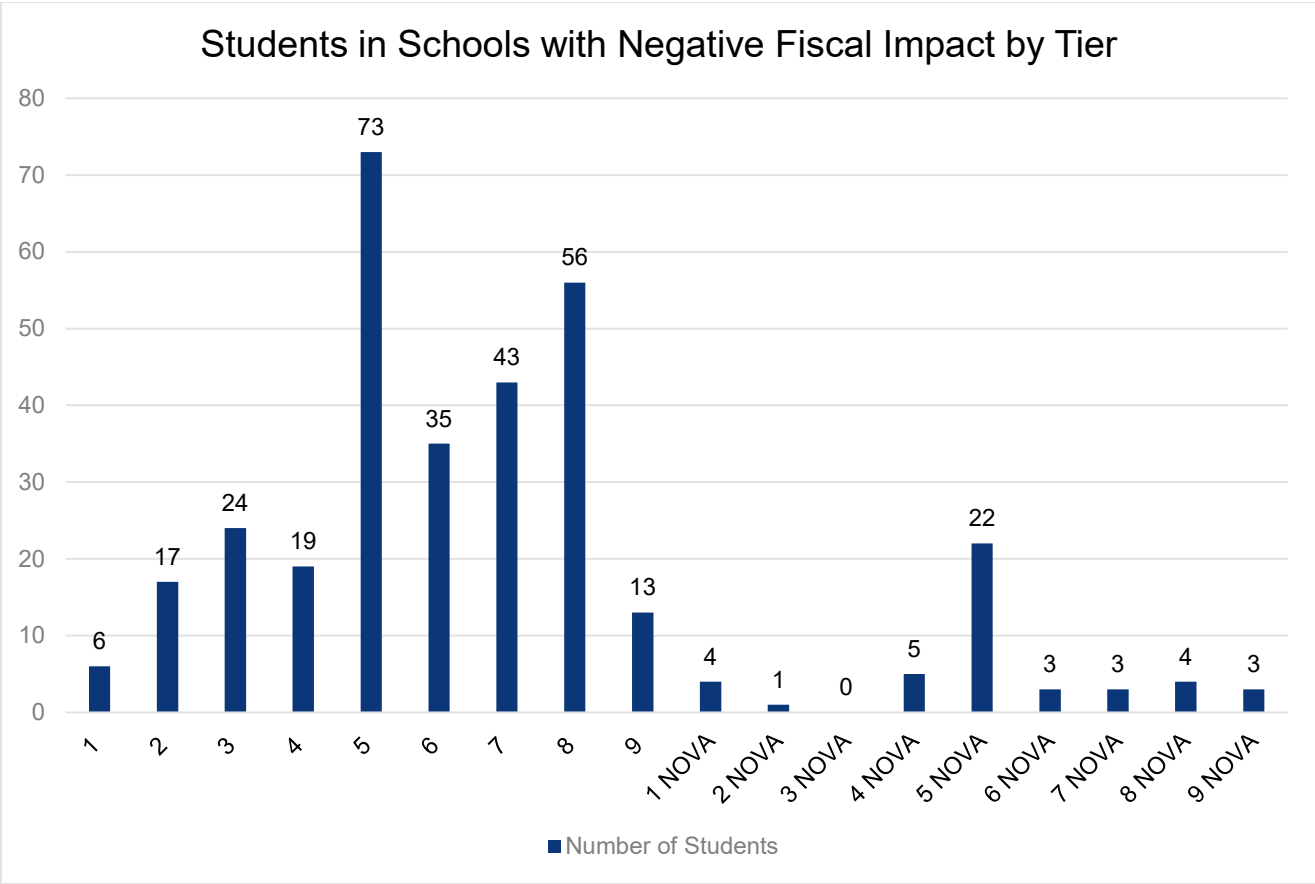


FIGURE 2: STUDENTS IN SCHOOLS WITH NEGATIVE IMPACT