Residential Treatment Center (RTC)
Processes and Financial Information

This information is provided by Children's Help and Assistance for Residential Treatment (CHART), a program of The Adoption Exchange.

Learn more at www.adoptex.org/CHART

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**Making the Best Choice for You Child**

Finding the best RTC to match your child’s needs, remembering the fact that adopted children may have different issues than birth children, will reduce your stress and your child’s stress. It is not uncommon for children to be placed at more than one RTC for a short period of time before the family decides to move them to another facility that is a better match. With an educational consultant to guide your family, you have a better chance of making the best choice on the first placement.

There are also other types of therapeutic programs other than RTC programs which may be a better fit for your child (other types of treatment programs). A certified educational consult will help the family formulate future plans to match the ongoing needs of the child. Knowledge of the RTC’s across the country is essential and most educational consultants visit dozens of campuses each year. They know many of the managers on a first name basis.

Educational consultants have a wide variety of specialties and a wide variation in fees. Some consultants charge an hourly fee. Typical hourly fees would run between $100 and $200/hour. Other consultants charge a comprehensive fee, allowing a family to work with a consultant for as much time and assistance as they need, often over several years. Fees range from about $900 to $3500, depending upon the nature of the placements, testing required, etc.

You may also want a consultant who is a member of the Independent Educational Consultants Association (IECA). Member of this organization must possess a master’s degree; at least three years of admissions counseling experience; and experience working with scores of students before they will be considered. This organization has developed a strict set of ethical guidelines that govern the actions of consultant in their relationships with students and families, schools and colleges, and with colleagues. IECA members do not accept any compensation for the educational institutions for placement of a child. You can find more information at [www.educationalconsulting.org](http://www.educationalconsulting.org).
Financial Planning - What You Need to Do

Residential Treatment Centers (RTC's) are often much more expensive than parents imagine than they would be and typically the expenses don't end at discharge. You may also need to be very creative in evaluating your personal finances to handle the cost.

1. What is the first thing I should do to try and organize my financial resources (bank accounts, stocks, etc) so I can identify areas that may be available for RTC costs?

The first step in planning for this major expense is to estimate the total cost of treatment. There will probably be some "sticker shock" associated with this exercise. Residential Treatment Centers (RTC's) are often much more expensive than parents imagine than they would be and typically the expenses don't end at discharge. DON'T let this prevent you from pursuing treatment for your child. This is a lifetime investment in your family and the chances for your child’s success in the world. The RTC intake and business office personnel should be able to assist you in this process. Also, this is a good time to talk with the case manager about what type of support you should expect from the RTC after your child is discharged and what type of estimated costs you can expect to pay.

One of the challenges in planning for RTC expenses is that there can be significant uncertainty and variation in total costs. Parents should take the following factors into account when they are figuring out the total expense:

- Average length of stay
- Transportation expenses to and from the facility
- Special activity fees
- Parental involvement costs through additional seminars or personal counseling
- Educational consulting fees (if the family chooses to use one)
- Medical/medication – You should ask if your child would qualify for Medicaid Aftercare expenses once the child is discharged from the RTC

Generally, the entire treatment costs can be more than 50-75% higher than your original estimate. This is largely due to the expenses associated with taking care of your child after he/she is discharged from the RTC and out-patient follow-up such as therapy and community program costs.

Once you have determined the appropriate program expenses considering the nature of the treatment process required, the next step is to organize your assets.

Gather these documents:

- Banking statements
- Brokerage statements
- Retirement account information
- Educational Savings Plans or 529 plans
- UTMA/UGMA or any accounts set up for your child
- Insurance information particularly any cash value
- Home Equity - This is the difference between what you owe and how much your home is worth based on a certified appraisal.

Secondly, identify those resources which are available to you immediately and the least expensively. Unfortunately, for most families this is an unanticipated expense and there may be little cash outside of
investment and retirement plans available. This is where a relationship with a financial advisor can be very beneficial to help the family minimize fees and penalties associated with freeing up those funds from their respective accounts.

2. Can you give me a list of financial assets I should consider?
Any asset (bank account, mortgage equity, stocks, etc) should be up for consideration. In fact, postponing treatment may end up being even more expensive to the family because of future legal fees and hospitalization. Typically, families access any stocks, bonds, mutual funds, CDs, annuities, cash value life insurance policies, and home equity. Retirement accounts are also an asset that many families have at their disposal, even though it may appear that there would be significant penalties to using them.

One option may be through generating an asset backed loan or through a combination of other strategies. Through this type of financing, it is possible for third parties (i.e., grandparents) to also pledge securities or in some way guarantee repayment of the loan without having to liquidate or sell their stocks and bonds or sign them over to the family as a gift.

Although it might seem that certain family investments are inaccessible, a little creativity by a financial advisor can unlock the value of a portfolio and usually save the family a great deal of money in the process overall.

3. Please give me a list of what questions I should ask myself when considering the liquidation of each of these assets?
Generally, the issue with assets invested outside of qualified plans or retirement accounts are the capital gains taxes the sale will generate. Capital gains are the profit you make when you sell the funds at a higher rate than you bought them. The money you make can be taxed by the IRS at a very high rate. This may present a problem for the family if the asset had appreciated significantly and the family didn't plan for the tax expense of the sale. If considering distributing assets inside a retirement plan (such as a 401K, 403B, Simple IRAs, or SEPs), families should consult a financial advisor or tax professional largely because of the penalties and fees associated with these types of distributions.

The next question to ask is how much you will be charged to sell your assets and any fees incurred during liquidation. Broker's fees vary greatly when liquidating an asset or investment. Secondly, there may be additional fees or surrender charges for early liquidation of mutual funds, CDs, or cash value life insurance policies before they mature or are available to sell.

4. Have you heard of any insurance companies covering this type of care?
How much your insurance will reimburse you largely depends on the type of RTC facility, the type of care being administered, and the quality and comprehensive nature of the family's insurance policy. The more traditional medical/psychiatric models tend to be more eligible for reimbursement. The admissions staff of the RTC should be able to guide parents on the percentage of families who actually achieve some form of reimbursement. Unfortunately for alternative and wilderness programs the number tends to be low. However, the diligent family member or representative with a high quality insurance policy and a willingness to be aggressive in communicating with the insurance company sometimes wins reimbursement even though the insurance provider denies the claim when you first file. In most cases, the family is usually expected to pay the RTC upfront and contend with their insurance company on their own or with only a little assistance from the facility.
Occasionally a RTC will itemize their billing to include individual services like psychotherapy and medical services costs. These are much easier items to get insurance companies to cover, even if the provider won't pay for the entire service; however, the process is still quite lengthy. Many families wait more than 1 year for reimbursement.

When it comes to working with an insurance company and you are not getting the reimbursement you believe you deserve, it is important to understand that you will possibly need to set aside several hours per call, that you will be put on hold numerous times, and that you must continually ask to speak to the next person up the chain of command.

In addition to private or company sponsored insurance plans, Medicaid may be also available to offset some medical and medication expenses if the child or family qualifies.

5. Do you know of any employer based assistance programs?
Employer assistance programs or EAPs tend to be offered by larger corporations and government entities to their employees. In most circumstances, only the employee is covered for services. Most EAPs look at RTC’s as a form of hospitalization and refer the employee to a facility where they have an existing business relationship, and those choices tend to be limited. However, support for parents who have a child in treatment may be part of the coverage. Parents who choose a lower level of service for their RTC placement may be able to augment their support by activating their EAP to provide counseling for their own individual needs when the RTC does not. This is a very stressful process and parents and caregivers should not forget that they will also need support in order to be as effective as they can be in supporting their child. This support may be in the form of support groups, counseling and/or therapy.

6. Will flexible health or medical tax free employer plans accept RTC payments as a qualified cost?
Health Savings Accounts (HSAs) may be a very viable option for executing payment for an RTC provided the facility is providing legitimate medical care under the supervision of a physician. It is important to consult with your EAP provider and with a tax advisor regarding the RTC facility and the expenses incurred to see if they are considered deductible in the eyes of the Internal Revenue Service. If that is the case, then distributions from qualified medical savings accounts can generally occur tax-free and without penalty.

7. What types of loans are available in the marketplace that could be used to help pay for RTC Treatment?
If financing becomes too difficult to handle within the family network, loans are available to help fund RTC’s. Although an expensive and sometimes limiting option, loans can help fund treatment costs. There are usually two different classes of loans. If the facility provides educational services and is approved by a specific loan provider, then the family will be eligible for an educational based loan. These loans vary in cost, but usually start around 9-13% interest after you factor in origination fees. If the facility has no education expenses, then a personal loan would be the best option. The expenses are typically slightly higher than educational loans. In both instances, credit score will be used as a factor in evaluating the borrower’s ability to repay.
Financial Planning-Outside Help
Residential treatment is expensive. There is no way around it. You will need to work with your insurance company, county mental health agency and state agencies. You may also need to be very creative in evaluating your personal finances to handle the cost. CHART also provides some grants for adopted children’s families.

Personal Health Insurance
There are a few cases where parents were able to get some coverage from their health insurance. Most companies do not currently cover residential treatment. But, it is worth appealing any decision and working closely with your insurance provider.

New Law regarding Health Insurance Coverage
There is a new federal law, The Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) that may apply to large employer (companies with more than 50 employees) health plans. MHPAEA may require your large group health plan to provide comparable mental health and substance use disorder (MH/SUD) benefits that reflect the coverage provided by your medical/surgical benefits. MHPAEA also may prevent your large group health plan from placing annual or lifetime dollar limits on Mental Health (MH) Substance Use Disorder (SUD) benefits that are lower - less favorable - than annual or lifetime dollar limits for medical/surgical benefits offered under the plan. MHPAEA does NOT apply to small group health plans or health insurance coverage in the individual (non-employment based) market, but you should check to see if your state law requires mental health parity in such other cases.

For laws in your specific state visit www.ncsl.org, on the right hand side of the page enter "mental health parity" then select "State Laws Mandating or Regulating Mental Health Benefits". Call your state insurance department to get more information. Medicare and Medicaid are also covered under MHPAEA.

Other State Programs
Remember funding for these programs may or may not continue to be funded as the states contend with huge deficits. Please check with your state to confirm this information.

COLORADO – HB 1116
For children not covered by Medicaid, this state program known as “House Bill” provides Colorado families partial funding for residential treatment center services. Your child must be evaluated by your county mental health agency. This bill only covers Colorado residents and the funding is decided annually by the state legislature.

ARIZONA - AHCCCS
Arizona Health Care Cost Containment System provides psychiatric care funding for children in Arizona. If your income level is less than $1869 per month you may be able to qualify through the Long Term Care office in your county. If your income is more than $1869 you may be eligible through the behavioral health system in your county. In both situations, you and your family will be evaluated by a registered nurse or social worker.

State Waiver Programs
Many states have also provided state waiver programs to help fund residential treatment. These state waiver programs benefits and eligibility requirements vary from state to state. To find more information, start with your Department of Human Services.