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Estimating minimum adequate foster care costs for children in the United States

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ABSTRACT

Although foster care homes play a crucial role in providing stable placements to children who enter the child welfare system due to maltreatment, there is currently no federal minimum rate nor standard methodology to establish adequate rates to support foster parents to meet these children's needs. Therefore, it is important to establish a model to estimate the real costs associated with caring for children to serve as a foundation for states to set adequate reimbursement rates. The objectives of this study are to: use the methodology of a 2007 study to establish foster care minimum adequate rates for children (MARC) based on the child's age and geographical location in every state; update the MARC with cost of living adjustments to 2016; examine changes in gaps between the MARC and the current foster care rates; and identify states that have made increases to their reimbursement rates, relative to the MARC over time. Results found that all but four states provide lower foster care reimbursement rates than the adequate costs in 2016. This study recommends that, at the federal level, enhanced precision in operational definitions of care categories could increase consistency in the way that states reimburse foster families. Additionally, findings provide policy suggestions to establish a national methodology standard and increase foster care rates to the level that will meet children's needs. This study will enhance the scant body of literature found on establishing an economic model to estimate foster care costs.

1. Introduction

As of September 30, 2015, there were 427,910 children in foster care in the United States, with 45% of these children living in non-relative foster family homes (U.S. Department of Health and Human Services [U.S. DHHS], 2016a). Foster care plays a vital role in the child welfare system by providing a resource to support a child's safety, well-being, and permanency (Geiger, Hayes, & Lietz, 2013; Pecora, Barth, Maluccio, Whittaker, & DePanfilis, 2009). Under the Social Security Act (section 475), "foster care maintenance payments" are defined as "payments to cover the cost of providing food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation and reasonable travel for the child to remain in the school" for children in foster care placements (U.S. Social Security Administration, 2016). Under this guideline, states set their basic rates for families providing care for a child, and the federal government and states share the cost of paying those rates; however, there is significant variability in rates among states (Committee on Ways and Means, 2016; DeVooght et al., 2013; Rosinsky & Connelly, 2016).

Foster care payments are likely to influence the quality of foster care. Studies showed that although foster care payments do not motivate foster parents to begin fostering children, adequate payments play an important role in foster care parents' satisfaction, and inadequate reimbursements and the concerns of financial burdens impact foster parents' decisions to discontinue fostering (Colton, Roberts, & Williams, 2008; Geiger et al., 2013; Kirton, Beecham, & Ogilvie, 2007; Macgregor, Rodger, Cummings, & Leschied, 2006). These factors can affect children's well-being by causing unstable placements and increased foster placement changes.

A decade ago, DePanfilis, Daining, Frick, Farber, and Levinthal (2007) conducted a study to estimate the costs associated with providing basic care to a child in foster care in the United States, and established foster care *minimum adequate rates for children* (MARC). This study implemented through a collaboration between Children's Rights, Inc., the National Foster Parent Association, the American Public Human Services Association, and the University of Maryland, was the first attempt to differentiate the costs of caring for children in foster care based on age and geography in each of the fifty states. The study also calculated the discrepancy between what states paid and the foster care MARC.

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The purposes of the current study are to use the methodology of the 2007 foster care MARC study as a foundation, update the costs adjusting for inflation rates through 2016, and compare changes in gaps between states' foster care payments and the foster care MARC over time. This study also identifies states that have made increases in the adequacy of payments from 2007 to 2016. Finally, we will discuss policy implications for developing guidelines to establish adequate rates across the nation to improve retention and recruitment of foster parents and provide stable placements for children who come into foster care.

2. Background

Foster care services, including the payments to foster parents caring for children are funded by a combination of federal, state, and local funding (Committee on Ways and Means, 2016; U.S. DHHS, 2016b). Title IV-E federal foster care program pays a portion of the states' costs to provide care for maltreated children removed from homes. However, there is no federally required minimum rate, and different federal funding claiming practices by the states result in wide variations in funding among the states (Committee on Ways and Means, 2016; Rosinsky & Connelly, 2016). In addition, geographical differences in the cost of living, and the methods, if any, that states use to determine the amount of foster care payments have significant variability among foster care rates (DePanfilis et al., 2007). The current monthly foster care payments range from $232 in Wisconsin to $1003 in the District of Columbia, and the range is too wide to completely explain these factors. Thus, it is important to establish a standardized economic model to estimate adequate costs associated with caring for a child in foster care to serve as a foundation for states to support foster parents to meet children's needs.

Current foster care payments are provided to cover the expenses of caring for children, such as food, clothing, and allowances. Studies have found that many foster parents were either not aware of, or did not consider, payments when deciding to become a foster parent, and most parents begin fostering due to altruistic motivations (Colton et al., 2008; Kirton et al., 2007). However, studies also showed that financial consideration is associated with foster parents' satisfaction (Daniel, 2011; Geiger et al., 2013; Marcenko, Brennan, & Lyons, 2009), and the greatest predictor of intent to continue fostering is foster parent satisfaction (Cooley, Farineau, & Mullis, 2015; Geiger et al., 2013; Mihalo, Strickler, Triplett, & Trunzo, 2016). Further, research indicates that keeping foster parents satisfied requires not only increased payments but also adequate support and training systems (Cooley et al., 2015; Goodman & Steinfeld, 2012; Rome, Blome, & Raskin, 2011). Combining these efforts for support, training, and financial stability through increased payments are vital to the child welfare system and can produce positive outcomes for both foster children and foster parents (Daniel, 2011; Geiger, Piel, & Julien-Chinn, 2017; Marcenko et al., 2009).

Additionally, due to the reimbursement rates providing insufficient coverage of the basic needs for raising a child, children in foster care might not always receive the care they need and may deter community members from becoming or remaining foster parents. Many foster families have low to moderate incomes and can experience substantial financial stress when foster care reimbursement payments cover substantially less than the actual cost of care (Freundlich, 2014). Studies found that inadequate reimbursements and additional financial strain placed upon foster parents causes them to consider no longer fostering (Geiger et al., 2013), and sufficient financial support is critical in recruiting foster parents and maintaining foster children in their home (Daniel, 2011). Foster parents report that fostering incurs expenses that exceed foster care payments and often pay out of their own pockets to meet the needs of foster children in their care (DeVooght et al., 2013), and there is a need for more reimbursement for daily living expenses for their foster children and the specific needs related to their physical, emotional, and behavioral health (Marcenko et al., 2009). Taken together, previous research highlights the importance of adequate foster care payments for the retention of services and to adequately attend to children's needs.

The objectives of this study are the following: (1) use the methodology of the 2007 foster care MARC study (DePanfilis et al., 2007) to update the costs adjusting for inflation rates through 2016 and collect data on states' updated foster care payments in 2016; (2) examine changes in gaps over time between the foster care MARC and the current rates that states reimburse foster families for children in their care; (3) identify states that made increases in the adequacy of payments based on the MARC from 2007 to 2016; and (4) discuss policy implications for retention and recruitment of foster parents and providing stable placements for children.

3. Method

3.1. Use of the original 2007 foster care MARC study

3.1.1. Cost estimates

The first phase of this study involved using the cost estimates established in 2007 (DePanfilis et al., 2007) as a foundation for the current study. The original study, briefly summarized here, was the first attempt to differentiate the costs of caring for children in foster care based on age and geography in each of the fifty states and the District of Columbia. In 2007, the National Association of Public Child Welfare Administrators (NAPCWA) surveyed child welfare agencies in 50 states and several counties, to collect information on their foster care rate-setting methodologies. Federal policy, the expert opinions of the project partners, and a national advisory group used existing data on the costs of caring for children. Estimates of the additional costs of caring specifically for children in foster care, and geographic costs of living variations were used to calculate the foster care MARC. National advisory group members included current and former foster parents, public child welfare agency administrators and staff, policy analysts and researchers, economists, advocates, and a pediatrician (DePanfilis et al., 2007).

The general expenditure categories and the specific cost of items included within those categories in the original foster care MARC were defined based on federal law, regulations, and policy guidance. The eight categories of allowable expenditures, as established in the Title IV-E Maintenance Payment Program of the Social Security Act are food, clothing, shelter, daily supervision, school supplies, personal incidentals, liability insurance, and transportation associated with visits with the child's biological family and school (U.S. Social Security Administration, 2006). These categories provided the basic framework for the calculation of minimum adequate rates for children[1] (DePanfilis et al., 2007). Table 1 presents specific definitions of eight cost categories and a summary of the estimates for each of the categories of the 2007 MARC study.

3.1.2. Data and sample

In 2007, once these cost categories were clearly defined, a secondary data analysis was conducted using the Consumer Expenditure Survey (CES) data. The CES is a national study of household spending habits, family earnings, and household characteristics conducted by the U.S. Department of Labor, Bureau of Labor Statistics (BLS) (U.S. Department of Labor, 2016). The CES collects data from family members using both a quarterly interview survey and a one-week diary survey focusing on consumer units (generally a family dwelling within a household; U.S. Department of Labor, 2016). The CES is the same data

[1] It should be noted that this project developed an estimate of the basic costs associated with caring for a child in foster care. This economic model did not include expenses for special needs such as the needs of a child with a physical disability or medical condition. (DePanfilis et al., 2007).