



## Explaining variations in state foster care maintenance rates and the implications for implementing new evidence-based programs



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### ABSTRACT

**Background:** U.S. Child Welfare systems are involved in the lives of millions of children, and total spending exceeds \$26 billion annually. Out-of-home foster care is a critical and expensive Child Welfare service, a major component of which is the maintenance rate paid to support housing and caring for a foster child. Maintenance rates vary widely across states and over time, but reasons for this variation are not well understood. As evidence-based programs are disseminated to state Child Welfare systems, it is important to understand what may be the important drivers in the uptake of these practices including state spending on core system areas.

**Data and methods:** We assembled a unique, longitudinal, state-level panel dataset (1990–2008) for all 50 states with annual data on foster care maintenance rates and measures of child population in need, poverty, employment, urbanicity, proportion minority, political party control of the state legislature and governorship, federal funding, and lawsuits involving state foster care systems. All monetary values were expressed in per-capita terms and inflation adjusted to 2008 dollars. We used longitudinal panel regressions with robust standard errors and state and year fixed effects to estimate the relationship between state foster care maintenance rates and the other factors in our dataset, lagging all factors by one year to mitigate the possibility that maintenance rates influenced their predictors. Exploratory analyses related maintenance rates to Child Welfare outcomes.

**Findings:** State foster care maintenance rates have increased in nominal terms, but in many states, have not kept pace with inflation, leading to lower real rates in 2008 compared to those in 1991 for 54% of states for 2 year-olds, 58% for 9 year-olds, and 65% for 16 year-olds. In multivariate analyses including socioeconomic, demographic, and political factors, monthly foster care maintenance rates declined \$15 for each 1% increase in state unemployment and declined \$40 if a state's governorship and legislature became Republican, though significance was marginal. In analyses also examining state revenue, federal funding, and legal challenges, maintenance rates increased as the federal share of maximum TANF payments increased. However, >50% of variation in foster care maintenance rates was explained by unobserved state-level factors as measured by state fixed effects. These factors did not appear to be strongly related to 2008 Child Welfare outcomes like foster care placement stability and maltreatment which were also not correlated with foster care maintenance rates.

**Conclusions:** Despite being part of a social safety net, foster care maintenance rates have declined in real terms since 1991 in many states, and there is no strong evidence that they increase in response to harsher economic climates or to federal programs or legal reviews. State variation in maintenance rates was not related to Child Welfare outcomes, though further analysis of this important relationship is needed. Variability in state foster care maintenance rates appears highly idiosyncratic, an important contextual factor to consider when designing and disseminating evidence-based services.

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### 1. Introduction

U.S. Child Welfare systems serve millions of children with costs exceeding \$26 billion annually. Out-of-home care is one of the most important and expensive services provided. A major component of the cost of this care is the maintenance rate paid to support housing and caring for a child. Maintenance rates vary substantially across states and over

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time. Given limited budgets, maintenance rate variation is likely to affect state Child Welfare agencies' ability to recruit and retain foster parents and to implement efficacious programs to serve these children. Factors affecting sustained funding for existing services like foster care maintenance rates are also likely important contextual factors for sustaining the implementation of new evidence-based programs (Aarons, Hurlburt, & Horwitz, 2011).

Why states differ so greatly in the foster care maintenance rates that they pay is unknown and may depend on multiple factors suggested by economic and political theory. For example, during economic downturns, reduced tax revenues may necessitate reductions in spending (Alt & Lowry, 1994; Bohn & Inman, 1996; Poterba, 1994), including reductions in foster care maintenance rates. Similarly, payment rates may fluctuate depending on the political party in control in a state (Kousser, 2002). Targeted federal funding could increase maintenance rates as could federal or judicial reviews that make future funding contingent on target outcomes (Baicker, 2001; The Lewin Group, 2004). Past studies considering Medicaid and Temporary Assistance for Needy Families (TANF) show that state social service spending decisions are driven by a host of political and economic factors with more generous spending linked to liberal political ideology or interest group pressure (Barrilleaux & Miller, 1988; Grogan, 1994; Hanson, 1984; Jacoby & Schneider, 2001; Plotnick & Winters, 1985). Research also shows that state spending is related to state capacity and demand (Grannemann, 1980; Jacoby & Schneider, 2001; Plotnick & Winters, 1985). Given that the same or similar institutions and actors are involved in setting policy for Child Welfare programs, we hypothesize that many of the same mechanisms operate for Child Welfare decisions. To our knowledge, this is the first study that examines what factors influence Child Welfare spending nationally over time.

Understanding factors that drive changes in the maintenance rates that support housing and care for these very vulnerable children is valuable for a number of reasons. First, it sheds light on how the systems respond to economic downturns such as the one beginning in 2008. Second, given the importance of contextual factors in implementation theory, it is critical for planning implementation of new evidence-based programs within the existing foster care system that require sustained state funding over multiple years (Goldhaber-Fiebert, Bailey, et al., 2011; Goldhaber-Fiebert, Snowden, Wulczyn, Landsverk, & Horwitz, 2011).

This study was designed to examine three questions: 1) How have state foster care maintenance rates changed over time? 2) Do sociodemographic, economic, political, state revenue, federal funding, federal program, and legal challenges explain changes in foster care maintenance rates from 1991 to 2008? 3) Given that differences in maintenance rates may also represent differences in other state-level investments in Child Welfare that may improve system quality, what is the relationship between higher foster care maintenance rates and Child Welfare outcomes like greater foster care placement stability? Understanding the factors that drive state spending is critical when considering major investments in implementing evidence-based Child Welfare programs.

## 2. Materials and methods

We assessed key drivers of state foster care maintenance rates. We examined the extent to which foster care spending increased counter-cyclically with indicators of economic prosperity. Given that spending decisions occur in state political and budgetary climates, we also assessed the influence of these factors on state foster care spending. Federal governmental oversight as well as judicial recourse for foster care programs that do not comply with regulatory and legal requirements can influence spending. While these factors span a large range of reasons why state foster care maintenance rates might rise or fall over time, we examined whether other, unmeasured factors were likely influential. Finally, because service delivery across states is not

standardized and because states may respond to changes in these factors in ways other than increasing or decreasing foster care maintenance rates, we assessed whether spending was correlated with Child Welfare outcomes measures often related to system quality assessments.

### 2.1. Outcomes

The main outcomes were state-level monthly foster care maintenance rates for children ages 2, 9, and 16 for years between 1991 and 2008. The maintenance rates represent payments from the state to a foster parent to cover the costs of food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, and other similar expenses for a month in accordance with Title IV-E of the Social Security Act. While mandated by federal law, states have a great deal of discretion in administering foster care programs and in augmenting set rates. Maintenance rates were derived from reports compiled by the federal government that standardized data across states and over time (US House of Representatives Ways & Means Committee [HWM], 1996, 1998, 2000, 2004, 2008), which we supplemented with information from multi-state studies (National Association of Public Child Welfare Administrators, 2007) to increase the number of state-years of observation.

In exploratory analyses examining the relationship of Child Welfare outcomes and state foster care maintenance rates, we used metrics compiled by the U.S. Department of Health and Human Services' Administration for Children and Families (Administration for Children & Families [ACF], 2010a). Specifically the 2008 values for: 1) Rate of maltreatment investigations per 1000 children under age 18; 2) percentage of children maltreated while in foster care; 3) a composite measure of foster care placement stability (ACF, 2007) which includes having <3 placements while in care for children who spend different total durations in foster care; and 4) a composite measure of timeliness of reunification and exit from foster care time from entry in the foster system until discharge and reunification with blood relatives for children who spend different total durations in foster care as well as the rate of reentry into the foster care system for those children previously reunified. It is possible that while not changing foster care maintenance rates, a state could augment funding to increase its investigational capacity, provide additional supportive and oversight services that could reduce maltreatment while in care and decrease the rates at which children move between foster placements, or accelerate services designed to successfully reunify children with blood relatives in more permanent non-foster care homes.

### 2.2. Predictors

#### 2.2.1. State socioeconomic and demographic factors

The unemployment rate represented the seasonally-adjusted percentage of working age adults seeking but unable to find employment at the beginning of the year and was derived from state-year information from the U.S. Bureau of Labor Statistics (Bureau of Labor Statistics [BLS], 2012a). The percentage of children who were minority was defined as the number of non-white children under the age of 18 in a given state-year divided by the total number of children under the age of 18 in that state-year with information derived from the U.S. Bureau of the Census (ProQuest Statistical Datasets [ProQuest], 2012). The poverty rate was defined as the percentage of state population living below the poverty threshold as reported by the U.S. Bureau of the Census based on its Current Population Survey's Annual Social and Economic Supplement (United States Census Bureau [USCB], 2011a). The percentage of population living in urban areas was interpolated from decennial estimates from the U.S. Bureau of the Census (1980–2010) (USCB, 2012a), which largely matched yearly trends from the Current Population Survey (USCB, 2011b) but yielded more stable estimates for smaller states due to the larger sample size.

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