

# Medicaid

Child welfare agencies across the United States protect and promote the well-being of children and youth who are at risk of, or have been found to be victims of, maltreatment. This work is expensive: a total of \$29.1 billion in federal, state, and local funds was spent nationwide in state fiscal year (SFY) 2014. States rely on multiple funding streams for this work, each with its own unique purposes, eligibility requirements, and usage limitations. This complex financing structure determines what services are available to children and families, which approaches are used, and the way that child welfare agencies operate. To understand the challenges and opportunities that child welfare agencies face, it is therefore critical to understand how their work is financed.

This document presents information about Medicaid spending by child welfare agencies in SFY 2014, collected through Child Trends' national survey of child welfare agency expenditures.<sup>1</sup> It is part of an array of child welfare financing resources, available on the [Child Trends](#) website, including a summary of national findings and factsheets that provide more detail on each major funding source.

## Background

Medicaid is an open-ended entitlement program<sup>2</sup> that provides health insurance to millions of low-income individuals. States and the federal government share the costs of Medicaid-covered expenditures, and the federal government reimburses states for eligible costs based on their Federal Medical Assistance Percentage (FMAP).<sup>3</sup>

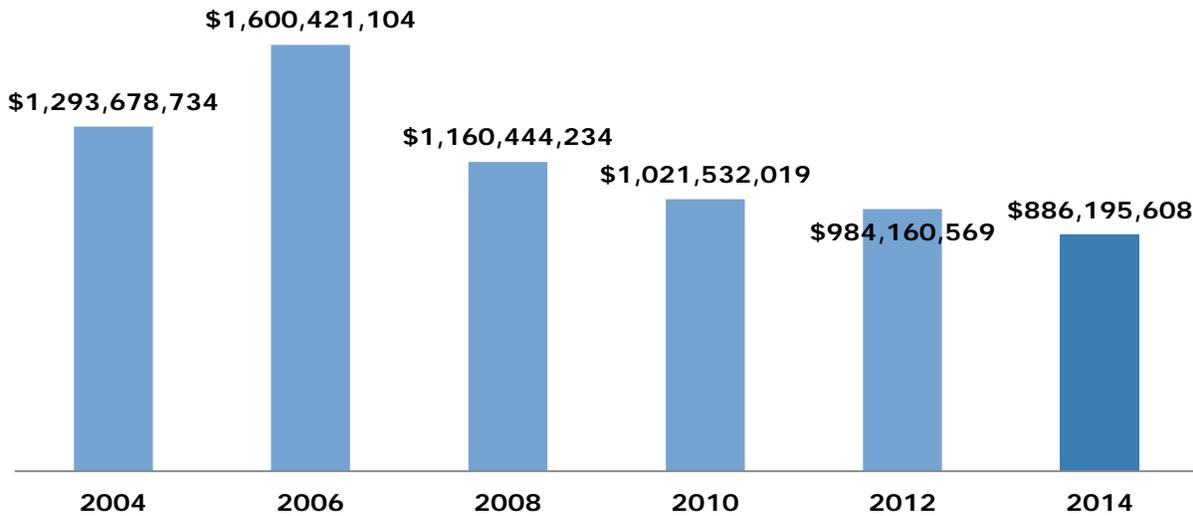
Children who are eligible for Title IV-E Foster Care, Adoption, or Guardianship assistance are automatically eligible for Medicaid. States have the option to extend Medicaid coverage to non-Title-IV-E eligible children, and most (33) states do.<sup>4</sup> States that provide Medicaid to non-IV-E eligible children in care do so through a number of mechanisms, including the State Child Health Insurance Program (for children from families with incomes too high to qualify for Medicaid), the "Ribicoff amendment" (which allows states to define a "reasonable" category of children to be covered by Medicaid as long as they meet 1996 Aid to Families with Dependent Children (AFDC) asset and income requirements), or a 1115 or 1915(b) Medicaid waiver, which allows states to change Medicaid eligibility criteria. Children involved in the child welfare system may also be eligible for Medicaid through other mechanisms, such as their family income. Additionally, the Affordable Care Act (ACA) mandates that states extend Medicaid eligibility to some youth who age out of the foster care system up to age 26, regardless of their income. Currently, the mandate only applies to children who remain in the state where they had been in foster care and consequently eligible for Medicaid.

For the purposes of this survey, researchers asked states to report *only those Medicaid funds which covered costs borne by the child welfare agency*. It excludes Medicaid-funded costs for the child welfare population that were borne by any other agencies (e.g., the health department), and so excludes costs associated with health care coverage.



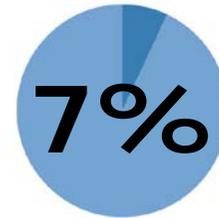
## Overall Medicaid spending by child welfare agencies

In SFY 2014, child welfare agencies reported spending **\$886 million** in Medicaid funds on child welfare services.<sup>5</sup>



Medicaid funds accounted for a **small** portion of federal funds spent by child welfare agencies in SFY 2014.<sup>6</sup>

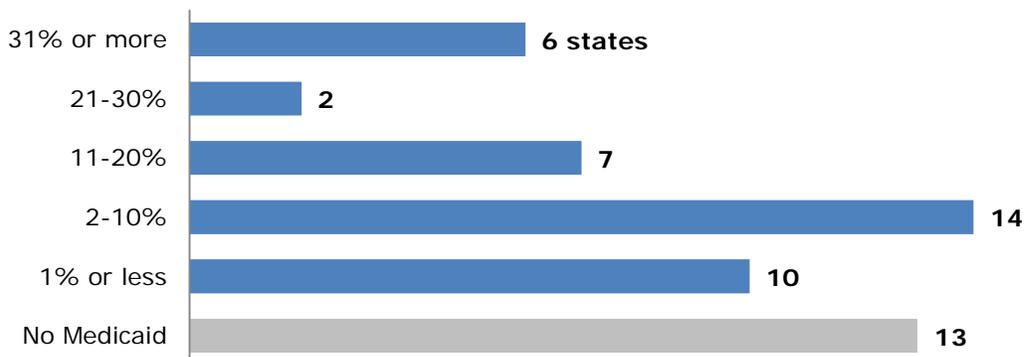
This proportion **has not changed** significantly since SFY 2004.<sup>7,8</sup>



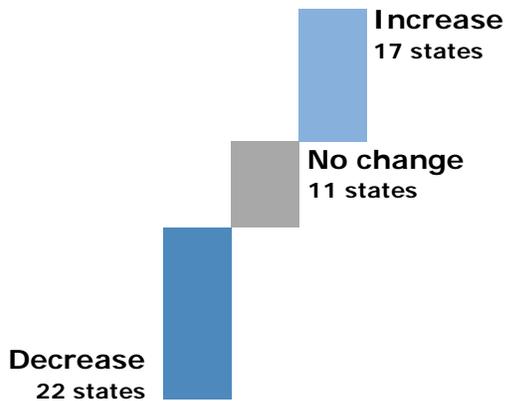
**Utilization of Medicaid funds varies across states.**

Medicaid funds accounted for **zero to 58%** of federal dollars spent by child welfare agencies in SFY 2014, depending on the state.

### Percent of federal funds

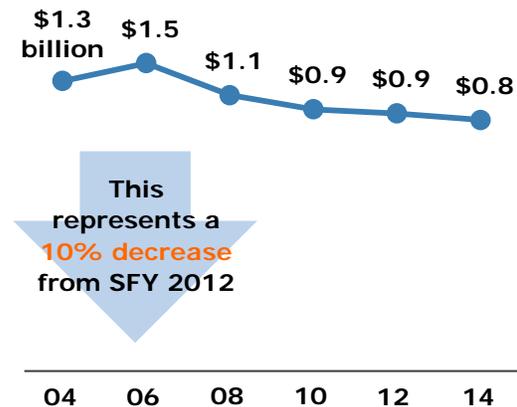


Between SFYs 2012 and 2014, **more** states reported a **decrease** rather than an increase in the use of Medicaid funds.<sup>9</sup>



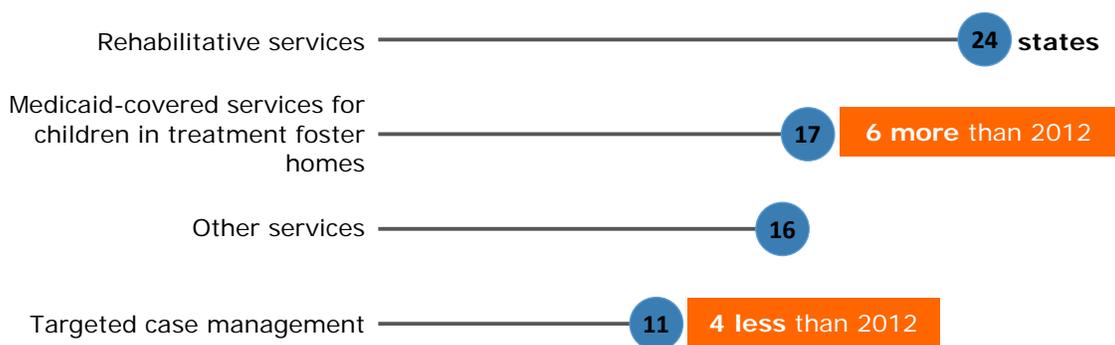
Medicaid utilization over the decade has **declined**.

This graph shows how Medicaid spending has changed over the past decade among states with comparable data in each year.<sup>10</sup>



The **decrease** in Medicaid expenditures may be due to **changes in how state child welfare agencies used Medicaid**, rather than fewer Medicaid dollars being used to fund services for children in the child welfare system. For instance, child welfare agencies in some states reported that they have stopped claiming Medicaid for targeted case management services. Others have transitioned to managed care systems, while others have changed how Medicaid-eligible services are paid for (e.g., by shifting costs to another agency).

Of the 39 states that reported Medicaid expenditures by the child welfare agency in SFY 2014, the most common expenditures were for **rehabilitative services**.



**States were also asked whether any of these services (rehabilitative services, etc.) were provided to children in foster care, but funded through an agency *other* than the public child welfare agency.**

**12**

states reported that other agencies fund these services

---

<sup>1</sup> Each state reported data based on their state fiscal year 2014, which for most states is July 1, 2013 to June 30, 2014. Of the 52 states, only six (AL, DC, MI, NY, TX, and WY) reported a different SFY calendar.

The survey captures funds expended by child welfare agencies, but not funds expended by other agencies (such as health or education agencies) on children served by the child welfare system.

The survey instrument has been revised over the nine rounds of the survey, so some data are not directly comparable.

For the purposes of the survey, Washington, DC and Puerto Rico are considered to be states.

<sup>2</sup> Entitlement programs require payments to persons, state/local governments, or other entities if specific eligibility criteria established in law are met. Entitlement payments are legal obligations of the federal government.

<sup>3</sup> Though reimbursement for most Medicaid costs (including services) is generally at the state's FMAP, there are some classes of expenses subject to other reimbursement rates. For example, costs considered to be program administration are reimbursed at 50%.

<sup>4</sup> Out of the 50 states that responded to the relevant question on the survey ("In your state, is Medicaid coverage provided to *all children in foster care regardless of the child's Title IV-E eligibility?*" Yes/No), 33 states indicated they provide Medicaid to all children in foster care while 17 states reported that they do not.

<sup>5</sup> The figures presented in this graph reflect the total amount of Medicaid expenditures by child welfare agencies reported for each SFY. The number of states providing sufficient data for each round of the survey varies. Therefore, the amounts depicted in the graph may not be directly comparable and are likely an underestimate of true total spending.

To enable comparisons, all dollar amounts from previous years have been inflated to 2014 levels using the consumer price index (accessed on [www.measuringworth.com/uscompare/](http://www.measuringworth.com/uscompare/)). In previous reports, the gross domestic product deflator was used to inflate figures. In addition, when making comparisons between two years, we excluded from analyses states that lacked sufficient data in either year.

<sup>6</sup> This figure is the proportion of federal spending that Medicaid represented in SFY 2014. It differs from the proportion presented in "*Child Welfare Financing SFY 2014: A survey of federal, state, and local expenditures*" because that proportion is based off states with comparable data over the decade.

<sup>7</sup> Based on an analysis of 38 states with comparable data.

<sup>8</sup> When making comparisons between funding levels or funding proportions between two or more years, we restricted the analysis to states with comparable data in the years being compared. This is because some states provided incomplete information or did not respond to the survey in some years.

<sup>9</sup> Based on an analysis of 50 states with comparable data.

<sup>10</sup> Line graph is based on an analysis of 39 states with comparable data. Therefore, the total amount of SFY 2014 Medicaid expenditures presented in this graph (\$0.8 billion) differs from the total amount presented above (\$0.9 billion). See endnote 8 for more information.

Percent change from SFY 2012 is based on an analysis of 50 states with comparable data in SFYs 2012 and 2014.

**UPDATED DECEMBER 2016**