

Medicaid Spending by Child Welfare Agencies

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 victims of, maltreatment. In state fiscal year (SFY) 2016, the collective public investment in child welfare services totaled \$29.9 billion in federal, state, and local funds. State and local child welfare agencies rely on several major funding sources to administer programs and services, each with its own unique purposes, eligibility requirements, and usage limitations. The unique mix of sources in each state determines what services are available to children and families, which approaches are used, and the way in which child welfare agencies operate.

This document presents information about Medicaid spending by child welfare agencies in SFY 2016, collected through Child Trends' national survey of child welfare agency expenditures.¹ It is part of an array of child welfare financing resources, available on the [Child Trends](#) website, including a summary of national findings, detailed information on other major funding sources, and state-level resources detailing each state's expenditures.

Background

Medicaid is an entitlement program² that provides health coverage and services, including clinical behavioral health services, to 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).³

Common Medicaid-covered services paid by child welfare agencies are:

- **Rehabilitative services:** treatment portions of child welfare programs that can be reimbursed by Medicaid under certain circumstances
- **Targeted case management:** services to help certain groups of individuals (i.e., children involved with the child welfare system) gain access to needed services
- **Services for children in treatment or therapeutic foster home settings:** treatment or therapeutic foster homes are family-based out-of-home placements for children with high needs

Children who are eligible for Title IV-E Foster Care, Adoption, or Guardianship Programs are automatically eligible for Medicaid. States have the option to extend Medicaid coverage to all children in foster care, and more than half (29) of states do.⁴ States that provide Medicaid to all children in care do so through various 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 Section 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 family income. Additionally, the Patient Protection and 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 federal mandate only applies to children who remain in the state where they had

been in foster care. However, as of January 2017, 14 states had expanded access to Medicaid for former youth in foster care who are from other states.⁵ Beginning in 2023, the recently passed Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act will ensure Medicaid coverage is provided to children formerly in foster care even if they move to another state.

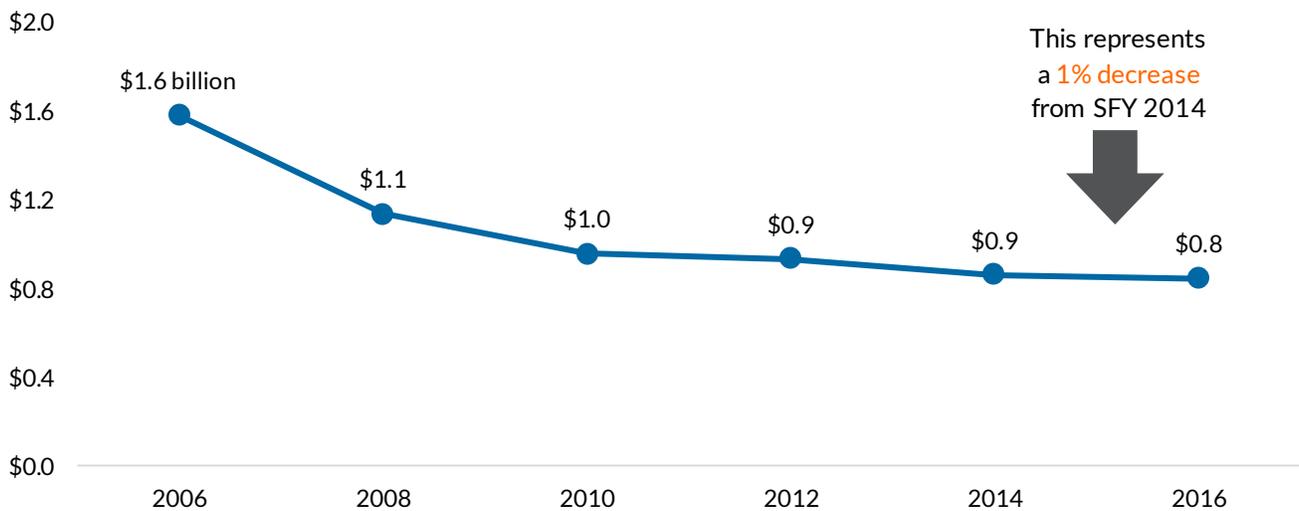
For the purposes of this survey, researchers asked states to report only Medicaid funds that covered costs borne by the child welfare agency and/or for which the child welfare agency paid the non-federal match. It excludes Medicaid-funded costs for the child welfare population that were borne by any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

Overview of Medicaid Spending

\$867 million

In SFY 2016, child welfare agencies reported spending **\$867 million** in Medicaid funds on child welfare services.⁶

Medicaid expenditures have **decreased by 46%** over the decade (among states with comparable data in SFYs 2006 and 2016). This graph shows the trend line over the decade.⁷



To enable comparisons, all dollar amounts from previous years have been inflated to 2016 levels.

The **decrease** in child welfare agency Medicaid expenditures may be due to **changes in how state child welfare agencies used Medicaid**, rather than a decrease in Medicaid services for this population. For instance, child welfare agencies in some states reported that they have shifted costs for Medicaid-funded services to another agency, bundled or unbundled services, and transitioned between fee-for-service and managed care systems. These administrative changes can affect how Medicaid is accessed in each state

and could contribute to the observed decrease in child welfare agency Medicaid expenditures. Without surveying how all entities in a state access Medicaid dollars for the child welfare population, it is unclear whether the use of Medicaid for this population is simply shifting between agencies or whether Medicaid-funded services are more or less available to the child welfare population. However, a 2014 analysis of total Medicaid spending on a subpopulation of children involved with the child welfare system showed that total spending on this population did not change significantly between FFYs 2005 and 2010.⁸ However, this report did show that total Medicaid spending on this population for rehabilitative services and targeted case management decreased between FFYs 2005 and 2010. Therefore, while total Medicaid spending on this population remained relatively stable, the kinds of services being used changed.

Between SFYs 2014 and 2016, more states reported an increase as opposed to a decrease in the use of Medicaid funds by child welfare agencies.⁹ Changes in Medicaid expenditures ranged from -100% to 304%, depending on the state. In some instances, states provided explanations for large changes in expenditures. For example, the District of Columbia indicated that Medicaid funds a clinic run by the child welfare agency and between SFYs 2014 and 2016, the amount Medicaid reimbursed for the clinic increased.

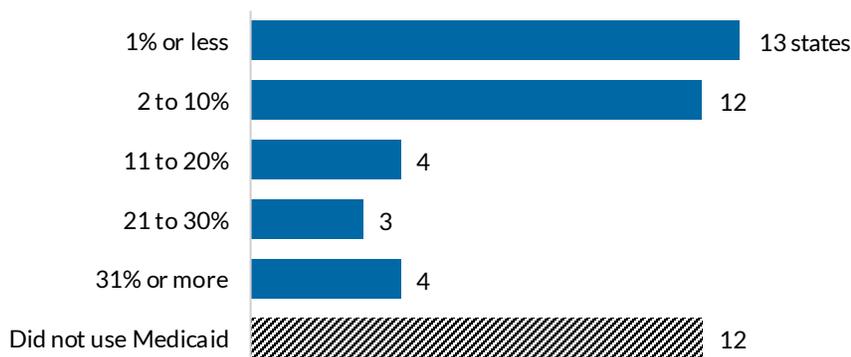
States experiencing changes in the use of Medicaid funds



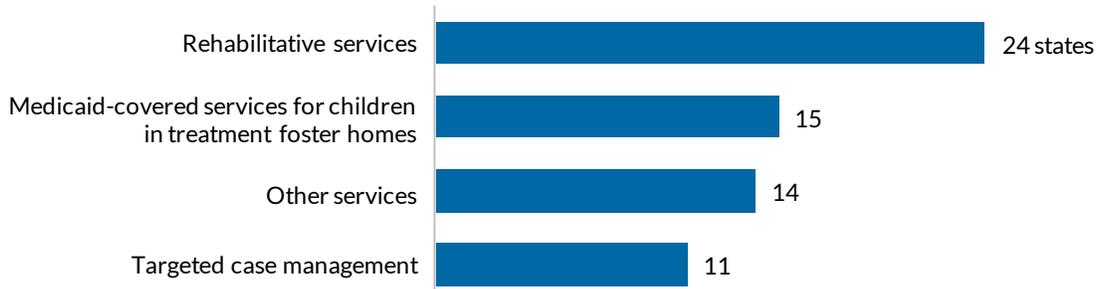
Medicaid funds comprised a small proportion of federal funds spent by child welfare agencies in SFY 2016.¹⁰ This proportion has decreased since SFY 2006.¹¹

Use of Medicaid funds varied across states. Medicaid funds accounted for zero to 59% of federal dollars spent by child welfare agencies in SFY 2016, depending on the state.

Percent of federal expenditures



Of the 37 states that reported Medicaid expenditures by the child welfare agency in SFY 2016, the most common expenditures were for rehabilitative services.¹²



17 states reported that other agencies fund the above services for children served by the child welfare agency (in addition to or in lieu of the child welfare agency)

¹ Each state reported data based on its SFY 2016, which for most states is July 1, 2015 to June 30, 2016. Of the 50 participating states, only six (Alabama, the District of Columbia, Michigan, New York, Texas, and Wyoming) 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. See the main report (*Child Welfare Financing SFY 2016: A survey of federal, state, and local expenditures*) for more specific information on how this amount was calculated.

The survey instrument has been revised over the 10 rounds of the survey, so some data are not directly comparable.

For the purposes of the survey, the District of Columbia and Puerto Rico are considered states.

This year, Puerto Rico and Vermont were unable to participate, resulting in a total of 50 participating states.

² 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 and do not have a set ceiling.

³ The FMAP is the percentage the federal government reimburses states for eligible costs. The FMAP is higher for states with lower per capita incomes. 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%. [Mitchell, A. (2018). *Medicaid's Federal Medical Assistance Percentage (FMAP)*. U.S. Congressional Research Service, (R43847; April 25, 2018), Washington, DC.]

⁴ Out of the 48 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), 29 states indicated they provide Medicaid to all children

in foster care while 19 states reported that they do not. The 19 states that do not are: AL, AR, CO, DE, IL, IN, IA, MS, MT, NE, NV, NM, NY, NC, OK, PA, SC, UT, and VA.

⁵ Brooks, T., Wagnerman, K., Artiga, S., Cornachione, E., and Ubri, P. (2017). *Medicaid and CHIP Eligibility, Enrollment, Renewal, and Cost Sharing Policies as of January 2017: Findings from a 50-State Survey*. The Henry J. Kaiser Family Foundation. Available at: <https://www.kff.org/report-section/medicaid-and-chip-eligibility-enrollment-renewal-and-cost-sharing-policies-as-of-january-2017-medicaid-and-chip-eligibility/>

⁶ Based on an analysis of 49 states that provided data (Nebraska, Puerto Rico, and Vermont were unable to report).

⁷ To enable comparisons, all dollar amounts from previous years have been inflated to 2016 levels using the gross domestic product deflator (accessed at www.measuringworth.com/uscompare/).

When making comparisons between expenditures 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.

The line graph is based on an analysis of 41 states with comparable data during the decade. Therefore, the total amount of SFY 2016 Medicaid expenditures presented in this graph (\$0.8 billion) differs from the total amount presented above (\$0.9 billion).

The percent change between SFYs 2014 and 2016 is based on an analysis of 49 states with comparable data.

⁸ Stoltzfus, E., Baumrucker, E.P., Fernandes-Alcantara, A.L., Fernandez, B. (2014). *Child Welfare: Health Care Needs of Children in Foster Care and Related Federal Issues*. U.S. Congressional Research Service, (R42378; November 19, 2014), Washington, DC.

⁹ Based on an analysis of 49 states with comparable data. We counted any positive change as an increase, and any negative change as a decrease, regardless of magnitude. One of the 23 states that experienced an increase had no Medicaid expenditures in SFY 2014 and a non-zero amount in SFY 2016.

¹⁰ This figure is the proportion of federal spending by child welfare agencies that Medicaid represented in SFY 2016. It differs from the proportion presented in "*Child Welfare Financing SFY 2016: A survey of federal, state, and local expenditures*" because that is based on states with comparable data during the decade. This percentage is based on an analysis of 48 states with complete federal expenditure data in SFY 2016.

¹¹ Based on an analysis of 39 states with comparable data during the decade.

¹² Of the 37 states that reported Medicaid expenditures by the child welfare agency in SFY 2016, 36 states could report how their child welfare agency used Medicaid.

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