

*Washington State*  
Department of Social  
& Health Services

## **REPORT TO THE LEGISLATURE**

# **Efforts to Contain Per Capita Cost of Adoption Support and Foster Care Services**

Chapter 518, Laws of 2005, Section 202(6)  
Second Annual Report  
October 2006

Department of Social & Health Services  
Children's Administration  
Finance and Operations Support Division  
PO Box 45710  
Olympia, WA 98504-5710  
(360) 902-7936  
Fax: (360) 902-7903

**Department of Social and Health Services  
Legislative Report on Efforts to Contain Per Capita Cost of  
Adoption Support and Foster Care Services**

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	Page 1
<b>ADOPTION SUPPORT PROGRAM</b>	
Adoption Support .....	Page 2 - 4
<b>FOSTER CARE SERVICES</b>	
Foster Care .....	Page 4 - 5
<b>CONCLUSION</b> .....	Page 5
<b>APPENDIX A</b> .....	Page 6
<b>APPENDIX B</b> .....	Page 7

# Efforts to Contain Per Capita Cost of Adoption Support and Foster Care Services

## EXECUTIVE SUMMARY

In accordance with the requirement of Chapter 518, Laws of 2005, Section 202(6), the 2005 Legislature directed the Department of Social and Health Services to:

*Within amounts provided for the foster care and adoption support programs, the department shall control reimbursement decisions for foster care and adoption support cases such that the aggregate average cost per case for foster care and for adoption support does not exceed the amounts assumed in the projected caseload expenditures. The department shall adjust adoption support benefits to account for the availability of the new federal adoption support tax credit for special needs children. The department shall report annually by October 1<sup>st</sup> to the appropriate committees of the legislature on the specific efforts taken to contain costs.*

CA continues to make efforts to contain costs in foster care and adoption support, within federal funding rules and without significantly diminishing services to children and their families. These efforts include:

For the Adoption Support Program:

- Implemented Improved Adoption Subsidy Monitoring Tool

For Foster Care Services:

- Continued Gatekeeping of Behavioral Rehabilitation Services
- Contracts Reviews Resulted in Increased Performance Measures
- Started Evidence-Based Practices

After extensive consultation with the Governor's Office and the Legislature, the Governor's Supplemental Budget increased the appropriations for the Adoption Support Program and Foster Care Services in Fiscal Year 2006 and Fiscal Year 2007. Children's Administration (CA) managed to the revised Fiscal Year 2006 appropriations.

In August 2006 the Office of Financial Management (OFM) formed a workgroup to examine and coordinate the cost projection work for Adoption Support and Foster Care.

**Department of Social and Health Services  
Legislative Report on Efforts to Contain Per Capita Cost of  
Adoption Support and Foster Care Services**

**September 2006**

**THE ADOPTION SUPPORT PROGRAM**

**About Adoption Support**

The Adoption Support Program is available to assist families who adopt children with special needs. To be considered a child with special needs, according to WAC 388-27-0140, one or more of the following factors or conditions must exist:

- a) The child is of a minority ethnic background;
- b) The child is six years of age or older at the time of application for adoption support;
- c) The child is a member of a sibling group of three or more or of a sibling group in which one or more siblings meets the definition of special needs;
- d) The child is diagnosed with a physical, mental, developmental, cognitive or emotional disability; or
- e) The child is at risk for a diagnosis of a physical, mental, developmental, cognitive or emotional disability due to prenatal exposure to toxins, a history of serious abuse or neglect, or genetic history.

The Adoption Support Agreement is a contract between the state and the family to financially support children with special needs from the time they are adopted until they reach 18 years of age (or slightly longer under special circumstances). The agreement cannot be modified except by mutual consent between Children's Administration and the adoptive parents. This requirement is in federal statute, Title IVB of the Social Security Act Section 473(a)(3), which states that adoption support payments:

*“ . . . shall be determined through agreement between the adoptive parents and the State or local agency administering the program under this section, which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically with the concurrence of the adopting parents. . . ”*

Federal regulation 42 CFR 1356.40 (c) further clarifies:

*“There must be no income eligibility requirement (means test) for the prospective adoptive parent(s) in determining eligibility for adoption support payments.”*

States that participate in the Temporary Assistance to Needy Families program (Title IV-A) must also operate an Adoption Support Program in accordance with federal requirements. Similarly, participation in the Federal Foster Care Program requires compliance with all the requirements of Title IV-E including an Adoption Support Program.

The basis of the Washington State Adoption Support Program is also clear in RCW 74.13.124 which states in part:

*The purpose of this section is to assure any such parent that, upon his consenting to assume the burdens of adopting a hard to place child, the state will not in future so act by way of general reduction of appropriations for the program authorized by RCW 26.33.320 and 74.13.100 through 74.13.145 or ratable reductions, to impair the trust and confidence necessarily reposed by such parent in the state as a condition of such parent taking upon himself the obligations of parenthood of a difficult to place child.*

An Adoption Support Agreement is reviewed every five years or earlier if the family advises the department of a change in circumstances or in the needs of the child. This review is not necessarily a renegotiation. The total payment is rarely dropped for other reasons because children generally become more expensive as they grow older. This is especially true for children with disabilities.

In January 2005, the U.S. Department of Health and Human Services published a report entitled *Understanding Adoption Subsidies: An Analysis of AFCARS Data*. AFCARS is the national Adoption and Foster Care Analysis and Reporting System in which states are required to participate. Two of the findings of that report are:

- Children’s age and special needs influenced subsidy receipt and amount
- Pre-adoptive relationship and other characteristics of adoptive families influence children’s subsidies.

In Washington, the proportion of adopted children receiving adoption subsidies who are 12 to 17 years of age has risen from 33.6 percent to 38.7 percent. This may be one factor influencing the per capita costs upward. In addition, children adopted by their non-relative foster parents receive a higher subsidy than other special needs children. Seventy percent of the children receiving subsidies are adopted by non-relative foster parents.

### **The New Federal Adoption Support Tax Credit For Special Needs Children**

The 2005 legislature directed that “the department adjust adoption support benefits to account for the availability of the new federal adoption support tax credit for special

needs children.” (Chapter 518, Laws of 2005, Section 202[6]). It is not likely this can be done within existing agreements, because they cannot be revised without the mutual consent of the state and adoptive parents.

When establishing new agreements, the availability of the tax credit must be considered in conjunction with the other factors outlined in RCW 74.13.112 and WAC 388-27-0230. Families are required to complete a worksheet as part of the application process. One of the questions on the worksheet asks if they anticipate an adoption tax credit. This continues to be difficult for some families to answer, particularly if their income and deductions vary from year to year. Answers are usually based on what their income was the year before. CA devised a series of questions to help adoptive parents answer correctly but it is only an estimate. CA looks at the family’s overall circumstances such as resources, debt, dependents, out of the ordinary expenses, and the availability of a tax credit to determine their ability to take care of the expenses directly related the child’s special needs.

### **Status of the Cost Containment Efforts**

CA will continue to utilize the Adoption Subsidy Monitoring Tool to guide negotiations with families requesting monthly maintenance payments. CA will assess expenditures throughout the year. The number of families requesting and receiving adoption support payments continues to grow.

## **FOSTER CARE SERVICES**

### **About Foster Care –**

In Fiscal Year 2007, there will be approximately 8000 children each month whose care is paid from the foster care budget. This number includes all children placed in licensed care, including receiving care, family foster care, and Behavioral Rehabilitation Services (BRS), as well as children in dependency guardianships and tribal custody.

Of the approximately 8000 children in care, roughly 1000 are in BRS. BRS represents approximately 35% of the total expenditures in foster care.

### **Status of the Cost Containment Efforts**

CA staff will continue to manage to the forecast and to use gatekeepers to ensure appropriate, cost effective placements for BRS placements.

CA will analyze the outcomes and performance measures required by the service contracts and course correct as needed.

CA is actively implementing evidence based programs for the children and families it serves. In this past year, CA implemented the Multidimensional Treatment Foster Care (MTFC) model. MTFC is an evidence based program which has been shown to stabilize and behavior of children (ages 12 to 18), so they can transition to living with permanent caregivers or less expensive foster placements. Children who are eligible for BRS placements are being referred to this program in Spokane, Yakima, and Tacoma. This program in other states has been shown to reduce placement disruptions.

In the next year, Parent Child Interaction Therapy (PCIT) will be available to foster parents and children in foster care. This program in research has been shown to reduce child behavior problems. Reduction of child behavior problems will improve placement stability for these children and avoid placements in higher cost care settings.

It should be noted that, at a high level analysis, the 4 year trend lines for the foster care per cap and caseload data have been very smooth, despite inflation. One explanation for this is that CA has systematically increased relative care through the years. CA considers relative care a viable form of care and usage has increased from 26.4% in FY99 to 36.8% in FY05. Some relative placements are unlicensed and receive little, if any, reimbursement. Increasing the use of these kinds of placements helps to maintain low to no growth in the per capita costs. (See Appendixes)

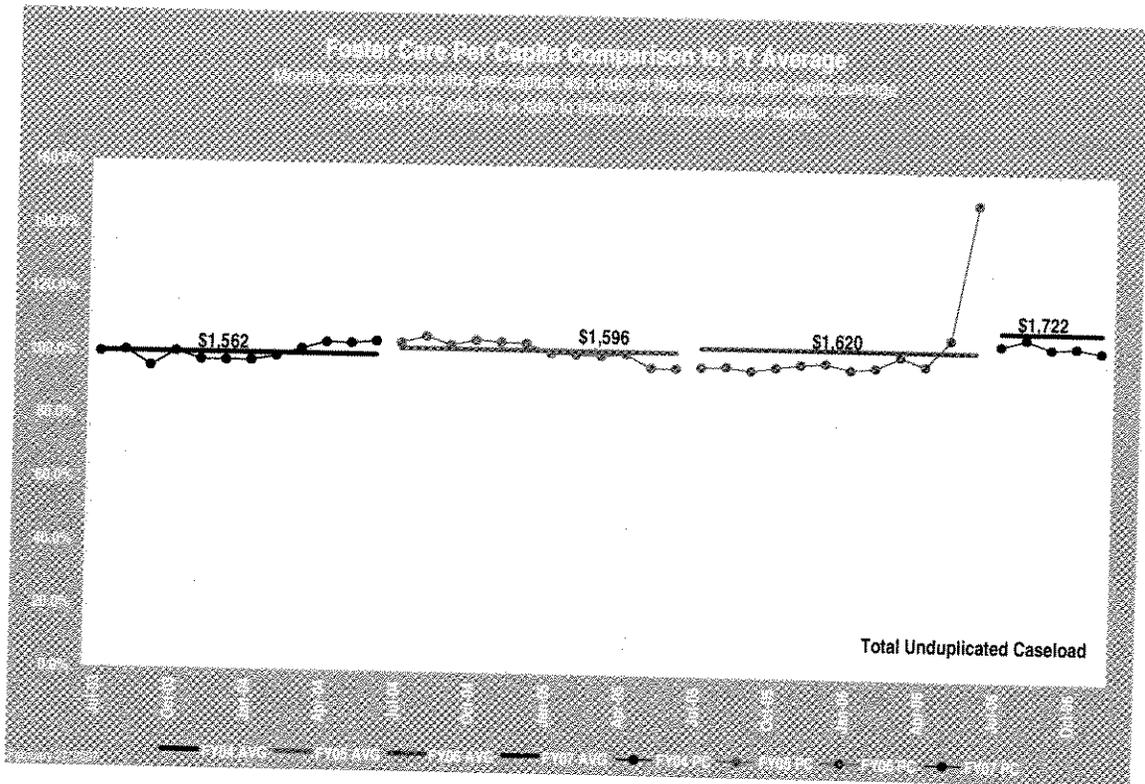
## **CONCLUSION**

CA will actively work with OFM staff, Forecast Council staff, and Legislative staff to examine cost projections.

CA will continue to pursue Evidence Based Practice models and implement practices with quality assurance measures.

CA will continue to take steps to contain adoption support and foster care costs where they can be accomplished without significantly diminishing services to children and their families, always striving for the most appropriate and cost effective placement for the child and maximizing adoptions.

## Appendix A



## Appendix B

