

# Medicaid Spending by Child Welfare Agencies in SFY 2018

Child welfare agencies across the United States are charged with protecting and promoting the welfare of children and youth who are at risk of, or have been victims of, maltreatment. In state fiscal year (SFY) 2018, state and local child welfare agencies spent \$33 billion using a combination of federal, state, local, and other funds. State and local child welfare agencies rely on multiple funding streams to administer programs and services. While many funding sources are available to child welfare agencies, each has its own unique purposes, eligibility requirements, and limitations, creating a complex financing structure that is challenging to understand and administer. Each state's unique funding composition determines what services are available to children and families and the way in which child welfare agencies operate.

This document presents information about Medicaid spending by child welfare agencies in SFY 2018, collected through Child Trends' national survey of child welfare agency expenditures.<sup>1</sup>

## Other available resources

This document is part of an array of child welfare financing resources, available on the [Child Trends](#) website, including a summary of national findings, resources on state-level expenditures, and detailed information on the following funding sources used by child welfare agencies:

- Title IV-E
- Title IV-B
- Temporary Assistance for Needy Families
- Social Services Block Grant
- Other federal funds
- State and local funds

## Background

Medicaid is an entitlement program<sup>2</sup> that provides health coverage and services, including clinical behavioral health services, to individuals with low incomes. 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>

Common Medicaid-covered services paid for 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 eligible for Title IV-E Foster Care, Adoption, or Guardianship programs are automatically eligible for Medicaid. 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) of 2010 mandates that states extend Medicaid eligibility to youth up to age 26 who age out of the foster care system (and meet other criteria), regardless of their income. Currently, the federal mandate applies only to children who remain in the state where they had been in foster care, although some states

have expanded this access to former youth in foster care who were in care in other states.<sup>4</sup> Beginning in January 2023, the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act (SUPPORT Act) will ensure Medicaid coverage is provided to eligible young people formerly in foster care even if they move to another state.

For the purposes of this survey, states reported 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

**\$1 billion**

In SFY 2018, child welfare agencies reported spending **\$1 billion** in Medicaid funds on child welfare services.<sup>5</sup>

Medicaid expenditures have **decreased by 18%** over the decade (among states with sufficient data in SFYs 2008 and 2018). This graph shows the trend line over the decade.<sup>6</sup>



To enable comparisons, all dollar amounts from previous years have been inflated to 2018 levels.

The observed **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, in this and/or past surveys, 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 if the use of Medicaid for this population is simply shifting between agencies or if 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 Medicaid spending on this population did not change significantly between federal fiscal years (FFYs) 2005 and 2010.<sup>7</sup> However, the analysis 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 2016 and 2018, **more states reported an increase** as opposed to a decrease in the use of Medicaid funds by child welfare agencies.<sup>8</sup> Changes in Medicaid expenditures ranged from **-89% to 409%**, depending on the state. In some instances, states explained large changes in expenditures. For example, Wisconsin indicated that their Medicaid expenditures decreased because they no longer claim for targeted case management.

#### States experiencing changes in the use of Medicaid funds



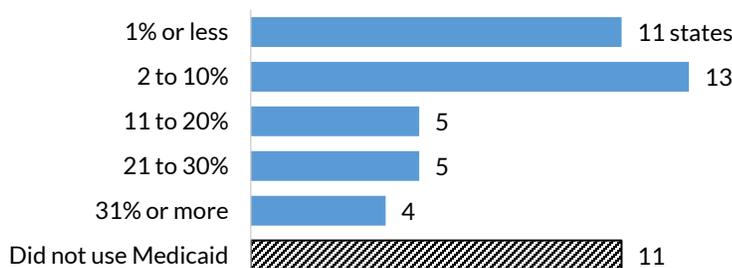
## Medicaid as a share of all federal funds



Medicaid funds comprised **a small proportion** of federal funds spent by child welfare agencies in SFY 2018.<sup>9</sup> This proportion has **remained relatively stable** since SFY 2008.<sup>10</sup>

Medicaid funds accounted for **zero to 58%** of federal dollars spent by child welfare agencies in SFY 2018, depending on the state.

#### Percent of federal expenditures



## Use of Medicaid funds

Use of Medicaid funds **varied** across states. Of the **38 states** that reported Medicaid expenditures by the child welfare agency in SFY 2018, the most common expenditures were for **rehabilitative services**.<sup>11</sup>



**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).

<sup>1</sup> See the main report (“*Child Welfare Financing SFY 2018: A survey of federal, state, and local expenditures*”) for more specific information about the methodology, interpretation of findings, and important caveats.

Each state reported data based on its SFY 2018, which for most states is July 1, 2017 to June 30, 2018. Of the 51 participating states, only five (Alabama, the District of Columbia, Michigan, New York, and Texas) reported a different SFY calendar.

The survey instrument has been revised over the 11 rounds of the survey, so some data are not directly comparable. Please see the main report for more details about changes to the survey and comparability.

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

This year, Idaho was unable to participate, resulting in a total of 51 participating states.

<sup>2</sup> Entitlement programs require payments to persons, state/local governments, or other entities if eligibility criteria established in law are met. Entitlement payments are legal obligations of the federal government and do not have a set funding ceiling.

<sup>3</sup> The FMAP determines the amount the federal government reimburses states for eligible costs. The FMAP rates are reassessed and updated annually and are higher for states with lower average per capita incomes. Though reimbursement for most Medicaid costs (including services) is generally at the state’s FMAP, some classes of expenses are subject to other reimbursement rates. For example, costs considered to be program administration are reimbursed at 50%. [Mitchell, A. (2020). *Medicaid’s Federal Medical Assistance Percentage (FMAP)*. Congressional Research Service, (R43847; July 29, 2020), Washington, D.C. Available at: <https://fas.org/sgp/crs/misc/R43847.pdf>]

<sup>4</sup> Fernandes-Alcantara, A.L. & Baumrucker, E.P. (2020). *Medicaid Coverage for Former Foster Youth Up to Age 26*. Congressional Research Service (IF11010; February 25, 2020), Washington, D.C. Available at: <https://crsreports.congress.gov/product/pdf/IF/IF11010>

<sup>5</sup> Based on an analysis of 50 states that provided data (Idaho and West Virginia were unable to report).

<sup>6</sup> To enable comparisons, all dollar amounts from previous years have been inflated to 2018 levels using the gross domestic product deflator (accessed at [www.measuringworth.com/uscompare/](http://www.measuringworth.com/uscompare/)).

When making comparisons between expenditures or funding proportions between two or more years, we restricted the analysis to states with sufficient 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 44 states with sufficient data across all six years.

The percent change between SFYs 2008 and 2018 is based on an analysis of 49 states with sufficient data.

The percent change between SFYs 2016 and 2018 is based on an analysis of 47 states with sufficient data.

<sup>7</sup> 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*. Congressional Research Service, (R42378; November 19, 2014), Washington, D.C. Available at: <https://fas.org/sgp/crs/misc/R42378.pdf>

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<sup>8</sup> Based on an analysis of 47 states with sufficient data. We counted any positive change as an increase, and any negative change as a decrease, regardless of magnitude. One of the 21 states that experienced an increase had no Medicaid expenditures in SFY 2016 and a non-zero amount in SFY 2018.

<sup>9</sup> This figure is the proportion of federal spending by child welfare agencies that Medicaid represented in SFY 2018. This percentage is based on an analysis of 49 states with complete federal expenditure data in SFY 2018.

<sup>10</sup> Based on an analysis of 42 states with sufficient data across all six years.

<sup>11</sup> Of the 38 states that reported Medicaid expenditures by the child welfare agency in SFY 2018, all were able to report how their child welfare agency used Medicaid.

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