

**Brief Literature Review:
Impact of Changes to Foster Parent Reimbursement Rates
Annotated Bibliography**

**University of Minnesota
Center for Advanced Studies in Child Welfare
Annette Semanchin Jones, MSW
Traci LaLiberte, PhD
Revised January 2013**

Search Criteria and Process

In the review of the literature topics related to levels of care assessments and foster care reimbursement rates in foster care, the following databases were searched: Social Work Abstracts (1977 to Oct. 23, 2009); Social Sciences Citations Index (1975 – Oct. 23, 2009); PolicyFile; Child Welfare Information Gateway; Children’s Bureau Express and Google Scholar. In conducting these searches, the following keywords were used: foster care payments; foster care reimbursement; foster parent reimbursement; and foster care board rates. Included in this annotated bibliography are several scholarly articles and reviews, as well as preliminary reports of state agencies’ policy changes related to foster care payments. This report is a revised and updated report from the original published date of April 2010. The updated information includes recent articles and reports, and these new or updated entries are denoted below with an asterisk (*).

Very few rigorous studies examined the impact of changes of foster care payments on child outcomes. One study found that an increase in stipends improved placement stability for children. Several studies examined the potential impact of changes to foster care payments on foster parent satisfaction and retention, which indirectly effects child well-being and the ability of child welfare systems to best meet the needs of all youth in care. Several states are also currently facing severe budget cuts and are decreasing or planning to decrease foster parent payments, but for many of these states it is still too early to ascertain what the potential impact may be of these rate changes, or these states have not yet published findings on the impact of rate changes.

Journal Articles

Campbell, C. & Downs, S.W. (1987). The Impact of Economic Incentives on Foster Parents, *Social Service Review*, 61(4), 599-609.

This study focused on the relationship between economic incentives and the supply of foster-care services, analyzing data on 1,094 foster families in eight states. The results of the regression

analyses indicate that higher level of board rates correlates with an increased amount of available foster care families in the jurisdiction.

Chamberlain, P., Moreland, S., & Reid, K. (1992). Enhanced Services and Stipends for Foster Parents: Effects on Retention Rates and Outcomes for Children. *Child Welfare, 71(5), 387-401.*

An on-going concern in child welfare is the shrinking number of available foster homes, particularly homes that are able and willing to care for children with increasing behavioral and emotional needs. This randomly assigned, controlled study examined the impact of increased services and support (i.e., 2 hour weekly meeting with facilitator and other foster parents to address child behavior; follow up phone calls 3 times per week) and a stipend increase of an additional \$70 per month. Together, this resulted in lower dropout rates of foster parents (9%) compared to the general population (40%), as well as increased stability of placement and fewer reported behavior problems for the youth. This study also found that the moderate increase in foster parent stipends alone (without additional services) was associated with increased foster parent retention.

Duncan, B. & Argys, L. (2007). Economic incentives and foster care placement. *Southern Economic Journal. July 2007.*

This study examined economic incentives of foster care providers. Findings suggest that a \$100 increase in the foster care payment is associated with a 6.9% increase in the number of children with a race/ethnicity match and a 29.5% increase in the number of children with a race/ethnicity mismatch. However, for a child older than 12 years, an increase in foster care payments is not associated with an increase in the probability of a race/ethnicity mismatch. Findings also suggest that increases in foster care payments are associated with approximately 20 percent reduction in the number of placement moves in the full sample and county subsamples, respectively.

Galaway, B.; Nutter, R.W.; & Hudson, J. (1995). Relationship between discharge outcomes for treatment foster care clients and program characteristics. *Journal of Emotional and Behavioral Disorders 3(1), 46-54.*

This study used data collected from a survey of treatment foster care programs, including 1,521 youth discharged from 210 treatment foster care programs in the United States and Canada. One of the relationships they explored in the study (among others) was the impact of payment rates to foster parents on discharge outcomes for youth. Findings of this study demonstrated no meaningful associations between program characteristics (such as payment rates) and type of discharge or restrictiveness of discharge setting. Authors suggest that additional research is necessary to establish the relationship, if any, between program characteristics and program success before moving to impose standards that may increase the cost of delivering treatment foster care but not increase program success.

Gibbs, D. (2005). *Understanding Foster Parenting: Using Administrative Data to Explore Retention*. Washington, DC: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation.

This study used administrative data, applying data management and analytic methods to explore foster parent retention. Child welfare agencies from New Mexico, Oklahoma and Oregon contributed data for these analyses. One of the many findings of this study indicated that increased foster parent reimbursement was linked to increased foster parent retention.

***Harris Rome, S., Whiting Blome, W., & Raskin, M. (2011). An Examination of Foster Parent Unionization: The Washington State Experience. *Journal of Community Practice*, 19(3), 292-307.**

This article describes the process of foster parents successfully unionizing in Washington in response to difficulties and perceived inadequacies with financial reimbursement, health and retirement benefits, and lack of respite care and training. This article noted that lacking resources are felt even more keenly by foster parents who are working with children with increasingly more pressing mental health and behavioral needs. One of the motivations for foster parents unionizing was that the foster care reimbursement rates did not cover the actual costs of caring for children in the foster care system. As a result of unionizing, foster parents in Washington achieved access to health care insurance and retirement benefits.

McHugh, M. (2002). *The Costs of Caring: A Study of Appropriate Foster Care Payments for Stable and Adequate Out of Home Care in Australia*. Social Policy Research Centre: University of New South Wales.

The aim of the study was to contribute to an assessment of the adequacy of current subsidy payments in meeting the costs of children in care in Australia. Data was collected from 120 directors of child welfare agencies and presidents of six Foster care Associations. The findings from the survey confirmed that the low levels of standard subsidy, paid by states to foster care providers, were not meeting the costs of children in care. The main concerns of foster parents in meeting the needs of children included:

- Difficulties for foster parents in accessing, arranging and obtaining reimbursement for additional services;
- Lengthy delays and debates with departmental workers in relation to obtaining reimbursement for these and other costs;
- High levels of stress experienced by both foster parents and agencies in attempting to meet the needs of children;
- No regular annual adjustment to the standard subsidy to reflect the costs of living;
- High turnover of people caring for children with substantial numbers of foster parents coming in and also leaving fostering over a 12 month period;
- Lack of acknowledgement, respect and support for foster parents from many workers;

- Nature of foster care being not only arduous but also at times hazardous for both foster parents and their families;
- For foster parents in rural areas, concerns relating to accessing services and in meeting costs associated with transporting children to services and visits with birth families; and
- No reimbursement for unaccounted for costs such as wear and tear on house and household furniture; increased water and energy costs in the home.

Rhodes, K.W.; Orme, J.G.; & Buehler, C. (2001). A Comparison of Family Foster Parents Who Quit, Consider Quitting, and Plan to Continue Fostering *Social Service Review*.

This study examined data from a national survey of foster parents conducted in 1991, with a total sample of 252 foster homes. Foster parents planning to quit were more likely to say that they needed day care, transportation and help with health-care costs that they were not currently receiving.

Simms, M.D.; & Horwitz, S.M. (1996) Foster Home Environments: A Preliminary Report; *Journal of Developmental & Behavioral Pediatrics*, 17(3).

This study evaluated the quality of developmental and emotional stimulation available to young children in their first foster home placement. Based on the results of the Home Observation for Measurement of the Environment (HOME) scale for 28 homes, multivariate analysis revealed that low HOME scores were related only to income level and not to other foster parent characteristics. Subscale scores showed that low HOME scores were due largely to lack of adequate play materials and limited interaction between the foster parents and the children. Authors of this study suggest that adjusting foster care subsidies according to foster parents' income levels, providing age-appropriate books and play materials, and additional training of foster parents should increase the developmental and emotional stimulation available to foster children.

Simon, J.L. (1975). The Effect of Foster-Care Payment Levels on the Number of Foster Children Given Homes, *Social Service Review*, 49(3), 405-411.

This article estimated the effect of the payment level on the supply of potential homes. The relationship is estimated on data from the various states. Results suggest that a given percentage change in payment level would result in a percentage change in the supply of homes somewhere between half as large and fully as large. The data suggest that the effect of the payment level is indeed substantial on the number of available homes. For example, an increase of 10 percent or in the foster parent payment level should produce an increase of somewhere between 5 and 10 percent in the number of homes available to foster children.

Testa, M.F. (2002). Subsidized guardianship: Testing an idea whose time has finally come. Social Work Research, 26(3).

There is a whole body of literature on kinship care and the impact of foster care payments on ability of relatives to provide care to children. Many states are now licensing kin caregivers to provide the full foster care payment. Some have less stringent standards that results in a smaller stipend for kin caregivers compared to licensed non-kin caregivers. Randomized, controlled studies by Testa indicate that subsidized guardianship, which provides on-going stipends to relative caregivers after the transfer of legal guardianship, significantly boosted permanence for children in Illinois.

Reports and State Happenings

South Carolina Task Force on Children in Foster Care and Adoption Services: Report from February 1, 2008.

This report found that the current foster care board payment rates average \$372 per month, much less than the actual cost of caring for a child. An October 2007 study of foster parent board rates by the University of Maryland and the National Foster Parent Association estimated the real cost of housing a child in South Carolina is \$653 per month. This task force found that children in foster care often do without appropriate clothing, supplies, and resources and therefore do not engage in activities that other children do. Foster parents often utilize their own funds to provide a lifestyle for the foster child under their care compatible with their own children to prevent alienation of these children. The task force suggests that this economic burden discourages young couples on tight budgets who could be ideal foster parents, and that an adequate board payment would attract and encourage an increase in the number of available foster homes. Because 60% of adoptions are by foster parents, this would increase both the number of available foster homes and adoptive homes in South Carolina. This would lead to a reduction in the time it takes to finalize an adoption, which reduces the permanency timeline for a child.

***Oregon**

In the fall of 2009, Oregon changed the way they determine rates for foster care, which resulted in an increase in rates for some children while others experienced a decrease. In a 2009 memo (<http://www.oregon.gov/dhs/children/fosterparent/docs/communications/2009-04-rate-redesign.pdf>), DHS states that a decrease in payments may create challenges, and they outline how the new rates were determined. There are no published reports that explore what impact these changes have had on foster parents and foster youth.

Iowa

In December 2009, Iowa planned a foster care board rate decrease of 10% for all foster homes. Although, the potential impacts are unknown, foster care advocates in Iowa are concerned that

this decrease may hamper recruitment and particularly impede the ability of foster parents to care for kids and children with special needs.

***Indiana**

Indiana Department of Children's Services Memo, posted Aug 19, 2011

(http://www.in.gov/portal/news_events/72468.htm)

In 2009, Indiana Department of Children's Services announced a proposed 10 percent decrease in foster care payments. In response and settlement to a subsequent lawsuit, Indiana DCS later developed administrative rules to pay foster parents based on the needs of the child in care. Under these rules, children in need of enhanced supervision receive higher rates of payment to foster parents. The rates are also based on age group. Indiana is using the Child and Adolescent Needs and Strengths assessment (CANS), along with input from child and family team meetings, to determine the category of care the child requires. In addition, DCS increased the personal allowance \$100 to \$300 annually which can help children in care participate in activities such as sports, band or scouts, attend events such as a prom, or provide for other extracurricular fees.

***Child Welfare League of America (CWLA). (2007). *Hitting the M.A.R.C.: Establishing Foster Care Minimum Adequate Rates for Children*. Retrieved on-line from <http://www.cwla.org/ADVOCACY/marcsummary.pdf>.**

This report presents a comprehensive calculation of the real expenses of caring for a child in foster care in the United States. It systematically demonstrates that rates of support for children in foster care are far below what is needed to provide basic care for these children in nearly every state in the nation. On average, across the U.S., current foster care rates must be raised by 36 percent in order to reach the Foster Care Minimum Adequate Rates for Children (the "Foster Care MARC") calculated through this project. In some states, rates are less than half of what it actually costs to care for a child in foster care.

This report indicates that there is evidence that inadequate foster care rates negatively affect foster parent recruitment and retention, which can set off a chain reaction of negative consequences for children. Lack of appropriate homes is linked to placement instability for foster youth. This report states that by establishing foster care rates that cover actual costs, children can receive necessary care which can positively impact child well-being.

This report highlights a study by the United States Department of Health and Human Services (USDHHS) Office of the Inspector General found that foster parents incur expenses that exceed foster care rates and often pay out of their own pockets to meet children's needs. This study found that the additional financial strain placed upon foster parents causes them to consider no longer fostering.

Since the initial printing of this summary review, the Children's Rights organization has conducted an analysis of each state which outlines how close the state is to "hitting the mark," of meeting the actual costs of caring for children through their foster parent reimbursement rates. For example, according to this assessment, the State of Minnesota would need to increase the foster care payments by up to 29%, to meet the actual costs of caring for foster youth, which includes the providing adequate food, shelter, clothing and school supplies. This information can be found on their website at: <http://www.childrensrights.org/policy-projects/foster-care/hitting-the-marc-foster-care-reimbursement-rates/foster-care-rates-by-state/>.

Barbell, K. (1999). The Impact of Financial Compensation, Benefits, and Supports on Foster Parent Retention and Recruitment. Report of CWLA.

This report presents results of the January 1996 CWLA Family Foster Care Survey, a survey of 450 CWLA voluntary member private agencies who provide foster care, treatment foster care, kinship care, or a combination of those services. This study indicated that only 7.2% of foster parents want to foster as a way to increase their families' income, and for some foster parents adding to the family by fostering can create a financial hardship. This study also highlights findings that 22% of foster parents report the reasons for leaving is economics.

This study suggests that maintenance rates are typically lower than the true costs of providing routine care for a child, and foster parents often make up the difference. Insufficient reimbursement, the changed needs of today's children in foster care, and the lack of supports and positive recognition are interrelated factors which result in foster parents leaving fostering and fewer new parents interested and willing to become foster parents.

Most agencies that provide enhanced maintenance rates and/or supplemental payments believe these payments positively impact recruitment, retention, cooperation, and services provided by foster parents. This study suggests that enhanced maintenance rates, treatment maintenance rates, and supplemental payments reduce or eliminate foster parents using their families' resources to meet the needs of children in care.

*** Ehrle, J., Geen, R. & Main, R. (2003). Kinship Foster Care: Custody, Hardships, and Services. *Snapshots of America's Families: Urban Institute, 14*, retrieved on Jan. 9, 2013 from http://www.urban.org/UploadedPDF/310893_snapshots3_no14.pdf.**

In this report, the authors cite research about the benefits of placing children in need of out-of-home care with relatives rather than in traditional non-kin foster homes. Placing children with relatives often increases contact with family members, including birth parents and siblings. However, this report also highlights data that shows kinship foster families often have fewer financial resources and receive fewer services than non-kin families. As states increase their use of kinship care, child welfare policy-makers should be aware of the potentially disparate impact on kinship providers in restructuring foster care reimbursement rates.

***Goodman, D., & Steinfield, F. (2012). *Building Successful Resource Families: A Guide for Public Agencies* Retrieved January 7, 2013, from <http://www.aecf.org/~media/Pubs/Topics/Child%20Welfare%20Permanence/Foster%20Care/BuildingSuccessfulResourceFamilies/BuildingSuccessfulResourceFamilies.pdf>**

The authors of this report acknowledge the importance of board rates in recruiting, retaining and supporting effective resource families, while emphasizing that some foster parents prefer specific services, such as respite care and training, over board rate increases. The report recommends looking at each jurisdiction at both the current rates and the rate of change of payments over time, suggesting that foster parents may feel under-valued in places where board rates have been frozen over time. In addition to board rates, states and jurisdictions may also increase their use of flexible funding to better support resource parents in meeting the actual costs of raising a child in foster care. Flexible funds might be used directly to support foster parents, such as training costs, or to enhance the lives of children, by paying for a computer, after school tutoring or sporting equipment.

*** Marcenko, M., Brennan, K., & Lyons, S. (2009). *Foster parent recruitment and retention: Developing resource families for Washington State's children in care*. Retrieved January 7, 2013, from http://pocweb.cac.washington.edu/sites/default/files/publications/2009._foster_parent_recruitment_and_retention.pdf**

The aim of this report was to assess the extent to which inadequate boarding rates limit the recruitment and retention efforts in Washington. This report notes that prior research has shown foster care boarding rates to be associated with the availability of foster homes, and uses national data to demonstrate that Washington's basic boarding rates are lower than the national average. The authors of this report recommend collecting information from current and potential foster parents about their perceptions of the adequacy of current board rates in order to determine whether raising rates could improve recruitment and retention efforts.

Summary

In reviewing the academic literature, very little has been studied about the impact of changes of foster care payments on child outcomes. Of the studies that have been conducted, two found that an increase in stipends improved placement stability for children. Several studies examined the potential impact of changes to foster care payments on foster parent recruitment, satisfaction and retention, which indirectly effects child well-being and the ability of child welfare systems to best meet the needs of all youth in care. These studies indicate that increasing foster care payments to adequately cover the actual costs of fostering is just one of many factors that may increase foster parent satisfaction and retention, as well as improve recruitment efforts to increase the overall number of foster homes. One study indicated that increasing payments for low income foster parents may actually be linked to improved foster parent-child interaction and quality of play materials available to the child. Studies on kinship care also indicate that raising payments is linked to improved permanency outcomes for children. To date, no studies have examined the impact of lowering foster parent rates on child well-being or permanency outcomes.

Several state and national reports also suggest that current foster care board payments are insufficient to meet the actual costs of caring for foster youth, which results in impaired foster parent recruitment and retention efforts. Some states are also currently facing severe budget cuts and are decreasing or planning to decrease foster parent payments, but for many of these states it is too early to ascertain what the potential impact may be of these rate changes.

References

- Barbell, K. (1999). The Impact of Financial Compensation, Benefits, and Supports on Foster Parent Retention and Recruitment. Report of CWLA.
- Campbell, C. & Downs, S.W. (1987). The Impact of Economic Incentives on Foster Parents, *Social Service Review*, 61(4), 599-609.
- Chamberlain, P., Moreland, S., & Reid, K. (1992). Enhanced Services and Stipends for Foster Parents: Effects on Retention Rates and Outcomes for Children. *Child Welfare*, 71(5), 387-401.
- Child Welfare League of America (CWLA). (2007). *Hitting the M.A.R.C.: Establishing Foster Care Minimum Adequate Rates for Children*. Retrieved on-line from <http://www.cwla.org/ADVOCACY/marcsummary.pdf>.
- Duncan, B. & Argys, L. (2007). Economic incentives and foster care placement. *Southern Economic Journal*. July 2007.
- Ehrle, J., Geen, R. & Main, R. (2003). Kinship Foster Care: Custody, Hardships, and Services. *Snapshots of America's Families: Urban Institute*, 14, retrieved on Jan. 9, 2013 from http://www.urban.org/UploadedPDF/310893_snapshots3_no14.pdf.
- Galaway, B.; Nutter, R.W.; & Hudson, J. (1995). Relationship between discharge outcomes for treatment foster care clients and program characteristics. *Journal of Emotional and Behavioral Disorders* 3(1), 46-54.
- Gibbs, D. (2005). *Understanding Foster Parenting: Using Administrative Data to Explore Retention*. Washington, DC: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation.
- Goodman, D., & Steinfield, F. (2012). *Building Successful Resource Families: A Guide for Public Agencies* Retrieved January 7, 2013, from <http://www.aecf.org/~media/Pubs/Topics/Child%20Welfare%20Permanence/Foster%20Care/BuildingSuccessfulResourceFamilies/BuildingSuccessfulResourceFamilies.pdf>
- Harris Rome, S., Whiting Blome, W., & Raskin, M. (2011). An Examination of Foster Parent Unionization: The Washington State Experience. *Journal of Community Practice*, 19(3), 292-307.
- Indiana Department of Children's Services Memo, posted Aug 19, 2011 Retrieved on Jan. 7, 2013 from http://www.in.gov/portal/news_events/72468.htm.

- Marcenko, M., Brennan, K., & Lyons, S. (2009). *Foster parent recruitment and retention: Developing resource families for Washington State's children in care*. Retrieved January 7, 2013, from http://pocweb.cac.washington.edu/sites/default/files/publications/2009._foster_parent_recruitment_and_retention.pdf
- McHugh, M. (2002). *The Costs of Caring: A Study of Appropriate Foster Care Payments for Stable and Adequate Out of Home Care in Australia*. Social Policy Research Centre: University of New South Wales.
- Rhodes, K.W.; Orme, J.G.; & Buehler, C. (2001). A Comparison of Family Foster Parents Who Quit, Consider Quitting, and Plan to Continue Fostering *Social Service Review*.
- Simms, M.D.; & Horwitz, S.M. (1996) Foster Home Environments: A Preliminary Report; *Journal of Developmental & Behavioral Pediatrics*, 17(3).
- Simon, J.L. (1975). The Effect of Foster-Care Payment Levels on the Number of Foster Children Given Homes, *Social Service Review*, 49(3), 405-411.
- Testa, M.F. (2002). Subsidized guardianship: Testing an idea whose time has finally come. *Social Work Research*, 26(3).