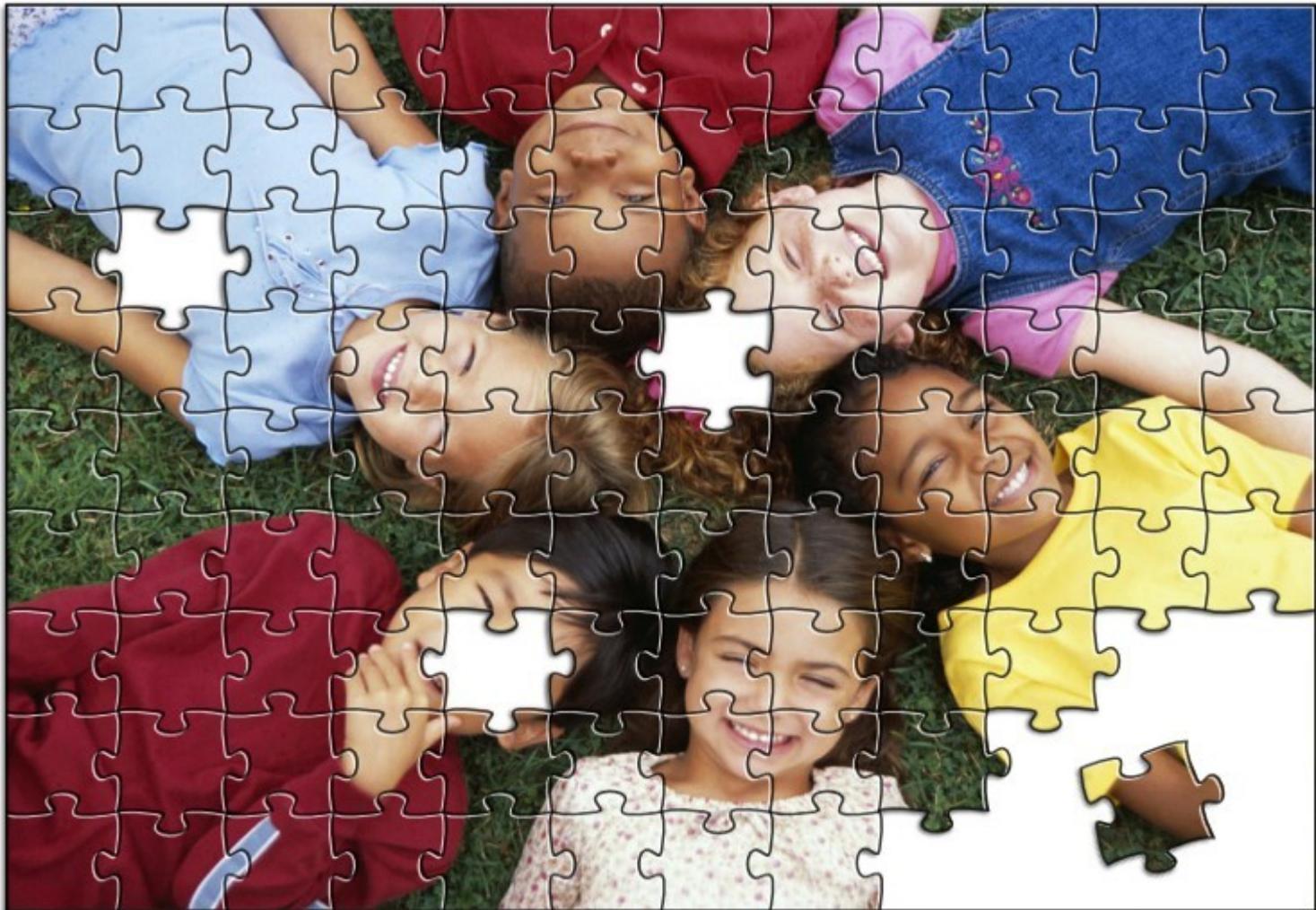


policy REPORT



NEBRASKA'S FOSTER CARE CONUNDRUM: FEDERAL REIMBUR\$EMENT HINDERS REFORM



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INTRODUCTION

A state's child welfare system is a complex system bound by rigid policies and procedures. Its effectiveness influences every citizen whether through direct experience or its indirect impact on the population's well-being and, of course, the state's fiscal condition. Such an important system should be kept under careful evaluation and critique. While no system is flawless, there are measurable standards and goals that can, and should, be achieved.

Nebraskans may not define "the good life" as one in which children are removed from their homes at numbers which far exceed the national average. However, research reveals that this is the reality.

NEBRASKA'S BACKGROUND

In Nebraska, a total of 9,623 children experienced out-of-home care at some point throughout 2007. It is important to recognize that this number has been consistently declining for just over a decade. Even so, 4,437 children were newly removed from the home in 2007.¹ This means that on an average day, 12 children were removed from their homes in Nebraska (usually due to abuse or neglect).²

It might be comforting if these statistics were comparable to other states, but this is not the case. For many years, Nebraska has been particularly noteworthy for the number of children it removes from their homes. Child welfare reformers have accused the state of adopting the "take-the-child-and-run" approach (meaning that it removes children at an unnecessarily high rate). According to a report published by the National Coalition for Child Protection Reform, Nebraska has been removing children from the home at one of the highest rates in the nation. Using data from the Department of Health and Human Services, the report ranks states according to how many children were removed from the home for every 1,000 "impoverished"

children. Nebraska has consistently ranked as one of the highest – if not the highest:³

Year	Rate of Removal in Nebraska (per 1,000 impoverished children)	National Average	Nebraska's National Rank
2004	83.1	23.9	1 st
2005	80.4	24.1	1 st
2006	73	23.5	1 st
2007	63.1	22.3	2 nd

Even when focusing only on neighboring states, Nebraska's tendency to remove children from their homes stands out among the rest. Data from the National Kids Count Program reveals the following:⁴

Children Under Age 18 in Foster Care at Any Time in the Year (rate per 1,000)



Are high removal rates inherently harmful? Are these children taken out of harmful environments and placed into safe and nurturing ones? Research shows that the answers to these questions might surprise you.

EVIDENCE OF A DEFICIENT SYSTEM

The Nebraska State Foster Care Review Board, formed by the Nebraska Legislature, produces independent reviews of the state's foster care system. The Board analyzes select cases (children in the system) in order to expose flaws and provide recommendations to policy-makers to improve the system. The following are just a few of the 2007 Annual Report's main findings:

- 30.2% of the children's plans had objectives that were not in the best interest of the child.
- 31.4% of the children's cases were not making progress towards permanency.
- 51.7% of children had been put in four or more different placements by the end of the year.
- 41.7% of children had been in foster care for at least two years of their lives.⁵

The Board proposed possible systemic causes that account for the high number of children retained in foster care. The Board highlights the following causes among many others:

- A lack of sufficient prevention programs which help to eliminate the causes for a child's removal. The report cites the Centers for Disease Control's finding that "the median effect of home visitation programs was a reduction of approximately 40% in child abuse or neglect."
- Caseworkers are responsible for too many cases and cases are too often shuffled between caseworkers.
- When children are removed from the home they are not always placed in an environment that addresses their needs, causing an unnecessarily high rate of instability as the child is moved to new placements.⁶

The Board also recognizes certain barriers to reform such as a lack of resources and the restrictive bureaucratic structure of the system.

To improve the system, some of the Board's suggestions include 1) reducing the number of cases

each caseworker is responsible for, 2) addressing the insufficient number of foster care placement options, and 3) minimizing the number of placement changes a child experiences.

Another report, the federal Child and Family Services Review (CFSR), reaffirms many of the Board's findings and conclusions. The CFSR found that the state needed to improve "placement stability," a "permanency goal for children," and the capability of "enhancing families' capacities to provide for children's needs." The CFSR also associates these issues with the high number of caseloads and shortage of foster homes.⁷

It is clear that the sheer volume of children in the system presents a serious challenge for Nebraska to maintain a viable foster care system. While a total of 4,183 approved or licensed homes were available in Nebraska in December 2007, the Kids Count report indicated that the rising number of children in need of foster homes has created an "ongoing need" for foster care homes or other placement options.⁸

FOSTER CARE FUNDING DILEMMA

To understand this multi-faceted problem, it is necessary to examine the root of the issue. In this case, as in almost all governmental deficiencies, financial efficiency is a key factor.

Two of the major sources of federal child welfare funding are Titles IV-E and IV-B of the Social Security Act. Of these two, Title IV-E is by far the dominant source of funding. Title IV-E is an open-ended entitlement program that assists states solely in foster care costs by reimbursing a state between 50 and 83 cents for every dollar it spends, given that the child meets certain financial standards.^{9,10} Funds cover such costs as "room and board", the state's administration and training, as well as supporting youth who "age out" of the system.¹¹

Federal funding for child welfare options outside of foster care is very limited. Of the current

federal funding to child welfare, at least nine times as much is spent nationally on foster care than alternative options, such as preventative services.¹² In Nebraska in 2006, the funding available solely for foster care versus flexible funding was a ratio of \$6 to \$1.¹³

This lack of flexibility causes perverse incentives. The current system creates an incentive to shuffle a child into foster care, not because it is the best option for the child, but because in many cases funding is sure to follow. On the other hand, alternatives that actually cost less and are more effective are not taken into serious consideration.¹⁴ Furthermore, there is evidence that this federal funding mechanism does not provide incentives to increase the proportion of children who achieve timely permanency.¹⁵

To transform the current decision-making process in determining a child's fate in the system, the incentive structure must undergo reform. Numerous reports by researchers and experienced practitioners have advocated the need for a shift in incentives from foster care to more effective alternatives. Each of the key players in the child's planning, whether it be the state or a private organization, must be provided with financial incentives for finding safe and permanent homes for children.^{16,17}

A PROMISING SOLUTION FROM THE SUNSHINE STATE

An innovative restructuring was recently implemented in Florida. On October 1 of 2006, Florida implemented a Title IV-E waiver (the only state to do so on a statewide level) after detailed plans were approved by the federal government. Over the course of five years, this waiver allows Florida to demonstrate how the use of flexible federal funds will result in better services and outcomes for those affected by the child welfare system, especially those previously restricted by the standard foster care funding mechanism.¹⁸

As suggested by reformers, this waiver allows for a dramatic shift in incentives. Funding is directed towards "program goals and good practice," which seek to decrease the number of children who remain in expensive out-of-home care and increase the number of children who

can remain at home through the use of a wide array of services. An expected consequence of reducing the number of children in out-of-home care is a savings in funding that can be redirected towards “front-end services” (previously, the state would have lost the money when children left foster care). “Front-end services” are services that work to prevent children from being removed from the home and, instead, reduce a child’s length of stay in out-of-home care and allow children to remain safely with their families. Front-end services consist of intensive early intervention, family reunification and family preservation services such as:

- Parenting classes.
- In patient treatment.
- Legal assistance.
- Transportation to and from services.
- Home nurse visitations.
- Needs assessment practices.
- Flexible funds used for any one-time need that may arise (i.e. daycare and housing assistance).¹⁹

Essentially, money follows the child’s needs instead of the federal requirements.

MAJOR COMPONENTS OF THE TITLE IV-E WAIVER

Flexible Funding: The “big idea” of the Title IV-E waiver is flexible funding. The waiver allows for the state to use federal Title IV-E foster care funds at its own discretion. Rather than solely out-of-home care, the funds may be used for alternative services assisting in reunification and permanency.

Capped Title IV-E Allocations: Under the waiver, Florida receives a capped allocation based on previous Title IV-E rules. A serious disadvantage to the state is that this amount is fixed and cannot be increased depending on how many children it is serving. Thus, the state must choose to allocate additional funds for child welfare or, regrettably, cut back on services.

Improved array of community-based services: State units, local government entities, and private and non-profit agencies are expected to expand the preventative and family-support services, such as “front-end” services, that they offer.

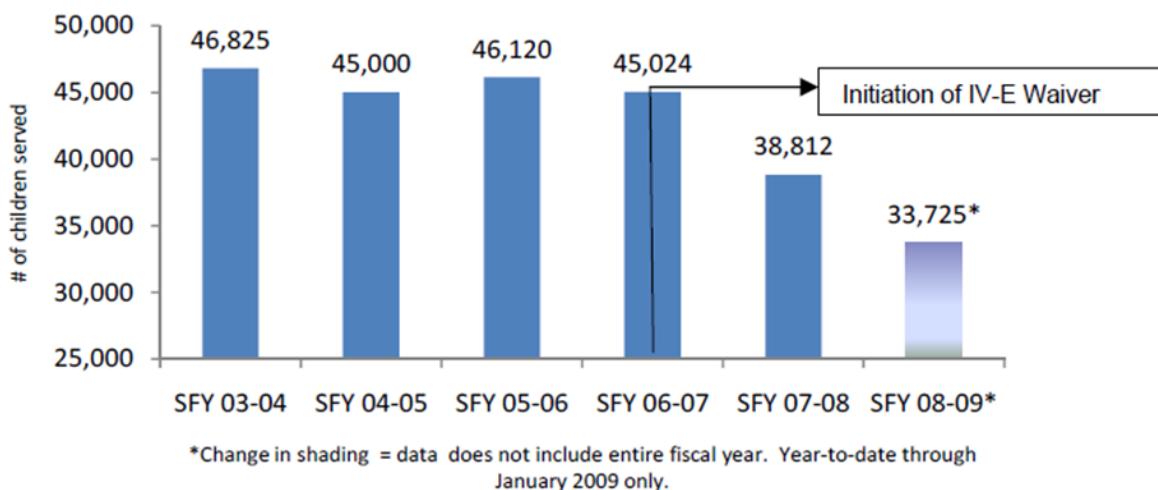
FLORIDA'S REVOLUTIONARY SUCCESS

Since implementation in 2006, independent researchers have written detailed evaluations which assess the effectiveness of the waiver's flexible funding on the child welfare system. The latest evaluation, published in April 2009, revealed significant quantifiable improvements:

- *Expansion of service array:* 75% (15 of 20) CBC lead agencies (Florida's community-based care agencies) expanded their prevention and diversion service array.
- *Foster Care Prevention:* There are fewer children both in out-of-home care and receiving in-home services. The total number of children served in Florida's child protection system decreased significantly following the implementation of the IV-E Waiver. The average number of children served in out-of-home care each year was reduced by approximately 6,500.
- *Increase permanency rates:* Every indicator of permanency significantly improved from SFY 03-04 (before the waiver) to SFY 07-08 (following implementation). Permanency factors include the proportion of children reunited with their original caregivers within 12 months of their removal, the proportion of children adopted within 24 months of removal from the home, and placement stability which is measured as fewer than three placements in the first 12 months of removal.
- *Improved Safety:* Of highest importance is a decrease since 2002 in percent of children who experienced maltreatment after (within six months) their cases were closed. Comparing specific safety data between pre-waiver and post-waiver years is difficult to determine because of Florida's shift in the method of gathering this data beginning at about the time of the waiver's implementation. Still, improvements such as increased permanency and a reduction in the number of cases are convincing indicators of child safety.

- *Out-of-home care costs decrease, while in-home services costs increase:* As expected, by lessening the state's reliance on foster care, the expenditures associated with this high cost option dramatically decreased. On the other hand, the costs of in-home services have increased.²⁰

**Average Number of Children Served in In-Home and Out-of-Home Care
on the Last Day of Each Month by Fiscal Year²¹**



WHAT'S BEST FOR THE CHILD = MOST COST EFFECTIVE

It is widely assumed that the more a service costs, the better the result. This is not always the case, as the results in Florida would suggest. An emphasis on state budget frugality is not necessarily at odds with instituting a more cost-effective foster care program in the state.

Florida's pre-waiver and post-waiver expenditures might seem to contradict this principle at first glance; however, deeper analysis reveals that the state is now getting "more bang for its buck." The total expenditures averaged \$708,821,264 for the 05-06 and 06-07 years and increased to \$729,631,438 after implementation in 07-08. However, the number of children served between these years was cut from approximately 88,317 to 71,605-- allowing more money to be allocated to each child in need. Consequentially, more than \$2,000 was spent on each

child following the waiver's implementation.²² According to the Florida Department of Children and Families, the increase in expenditures is not solely tied to direct services for the child. The increase is largely due to much needed pay raises, to support the recent growth in adoptions, and independent living costs (support for those who "age out" of the system).

While at this early stage in implementation it is difficult to demonstrate how the more cost effective front-end services have more efficiently used taxpayer's money, we know this is true from the reports of longer-running programs apart from the current reform in Florida.

For example, the 2008 report by the New York State Citizen Review Panels for Child Protective Services states clearly that "it should be obvious to all of us that prevention and early intervention services are more cost-effective strategies that generate better overall outcomes for children and families." In Erie County New York, the average annual cost of preventive services per child is \$6,500, while the average cost of foster care per child is \$45,000 and \$90,000 for a child in residential placements. While the exact numbers may not be applicable to our state with a lower cost-of-living, the remarkable ratio of in-home versus out-of-home care costs are comparable to Nebraska. The Review Panels also provide specific evidence of just how future costs of foster care may be reduced through the use of early preventive programs and in-home services. For instance, for each \$1 spent on a nurse-family partnership program (a home visiting program which provides education, guidance, and support), there is a \$5.70 return on investment.²³

CONCLUSION: IMITATING A SUCCESSFUL REFORM IN NEBRASKA

Those most aware of the current foster care crisis are the individuals who are daily forced to work within its restraints, reformers who are faithfully struggling to improve it, and most importantly, the children and families personally affected by its serious deficiencies. Furthermore, every taxpaying citizen is also affected by fiscal inefficiencies of this system. An extensive system which spent \$184,015,695 on child welfare services in 2006 should not be ignored

during times such as these when it is critical to avoid any waste of funding.²⁴ In addition to the direct costs of child welfare, additional issues stress the need for alternative services to prevent tragedies before they occur. As noted by the Nebraska Foster Care Review Board, abuse and neglected children drain more of the state's money outside of the child welfare system because they are more likely to enter prison, abuse drugs and alcohol, require special education, and become abusers themselves in future years.²⁵ Therefore, to combat the current crisis, the following are recommendations for serious consideration:

Lobby for the Title IV-E Wavier: Unfortunately for Nebraska, the Title IV-E Waiver is not currently an option offered by the government as a result of the switch in administrations. Such a revolutionary system, though, should quickly resurface as a front running option for states pursuing better child welfare systems. As a pioneer in government programs that work for the people, Nebraska's recognition and pursuit of the waiver option could persuade the federal government to accelerate its return.

Implement flexible funding and alternative child welfare options: In the meantime, Nebraska must work towards achieving a more efficient funding structure and making better use of alternative solutions (outside of foster care) to the greatest extent possible. The main ideas behind the waiver, such as flexible funding and the use of front-end services, are relevant responses to the assessments of the current state of our system in Nebraska. For instance, the Foster Care Review Board highlighted the need for an increase in permanency, a decrease in caseloads, and a greater number of prevention programs. Not surprisingly, these specific goals are the outcomes experienced by Florida since the waiver's implementation.

Alternative successful funding reform: Furthermore, providing better services to Nebraska's children in the meantime could include funding reform of a different nature. As outlined in "Federal Foster Care Financing Issues in Nebraska," our state receives only a portion of the Title IV-E funds that it could be receiving. In fact, in 2004, Nebraska ranked second to lowest among all states in regards to the percentage of children who were eligible for Title IV-E funds.

The report suggests certain actions be taken to claim more funds including training staff to review files for Title IV-E eligibility and encouraging judges and attorneys take the proper steps in ensuring that cases are “reimbursable.” Nebraska should focus on obtaining this valuable federal funding to allow state funding to be used with more flexibility, and ultimately, to better the services provided to the children in the system.²⁶

Current child welfare deficiencies are neither a new issue nor unique to Nebraska. For years, states have struggled to reform the system’s complex practices which are commonly rooted in strict funding policies. The inadequacies of the system are not the fault of caseworkers nor one specific legislator or politician; instead, the spotlight should focus on a bureaucratic system and its funding structure. Nebraska citizens and lawmakers cannot ignore an innovative funding option that uses taxpayer’s money more efficiently while at the same time taking better care of the state’s most vulnerable children.

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Richard Wexler, *Executive Director, National Coalition for Child Protection Reform.*

ENDNOTES

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²Nebraska State Foster Care Review Board: http://www.fcrb.state.ne.us/index_html?page=content/publications.html

³NCCPR: <http://www.nccpr.org/>

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⁹Fostering the Future: <http://pewfostercare.org/research/docs/FinalReport.pdf>

¹⁰The Price of Panic: Florida's children and the legacy of foster-care failure: <http://www.nccpr.org/reports/priceofpanic1311.pdf>

¹¹Federal Foster Care Financing Issues in Nebraska: <http://nebar.com/associations/8143/files/TNL-1108c.pdf>

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