



THE EFFECTS OF FEDERAL CHILD WELFARE FINANCING WAIVERS December 2004

Child welfare programs and services in the United States are authorized under a broad array of federal programs designed to assure funding and services for low-income families with children and to provide services for the protection and well-being of the children themselves. Though Titles IV-B and IV-E are the primary federal funding resources for child welfare services and programs, programs such as Medicaid, the Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF), and the Social Services Block Grant (SSBG) are also authorized to provide certain services related to child well-being.

Much concern has been expressed in recent years regarding child welfare financing and state program flexibility. In an effort to educate policy-makers, Casey Family Programs has undertaken the following analysis of child welfare demonstration projects designed to expand state program flexibility while maintaining the current level of program funding. Statutorily-required evaluations of these projects demonstrate limited success for projects that maintain budget neutrality. In addition, our analysis reviews alternative federal programs that provide existing authority to states for activities performed with child welfare waivers.

It is important to note that waiver activities have a cost associated with them that must be offset by other child welfare activities in order to remain budget neutral. Therefore, it is vital that, before expanding allowable activities that can be reimbursed through Title IV-E, statistically significant evidence indicates that the activity has positive outcomes that outweigh the potential negative outcomes from the shift in spending. Our analysis of the waiver evaluations available to date lead one to the inescapable conclusion that it would be premature to move to a level block grant or capped allocation of Title IV-E funding. State demonstrations conducted with child welfare waivers generally do not demonstrate the kind of statistical significance necessary to conclude that children benefit in measurable ways from waiver activities, and indicate that limited funding is a significant barrier to their successful implementation.

Findings

- **Evaluation Results To Date are Inconclusive or Incomplete as to the Overall Success of the Demonstrations**

Most of the evaluations available to date are incomplete, or rely on a database that is too small for statistical significance. In many instances across waiver categories and state lines, this new-found flexibility did not lead to a conclusion that children in the child welfare system were better cared for.

- **Waiver Demonstrations Have Not Deviated Significantly From the Underlying Structures of Title IV-B and IV-E**

As described above, evaluations of state waiver activities under Titles IV-B and IV-E are largely inconclusive and generally do not have statistically significant variance in permanency outcomes for children. Notably, states with waivers have not deviated significantly from the current structure of the Titles IV-B and IV-E programs, but instead have used the waivers primarily for targeted services. As such, the guidance and directives of the federal government under these programs continue to guide child welfare policies in most demonstration states.
- **Budget Neutrality Has Been a Barrier to Success of Demonstrations**

Child welfare waivers have not demonstrated that increased flexibility without increased funding will significantly improve child well-being. As noted above, states have had difficulties associated with poor enrollment, caseworker challenges, low payment rates to contracted providers, and lack of resources that negatively impacted their ability to reap the benefits expected from the demonstration programs. A closer look at the evaluations indicates that the waiver activities may have had increased success had additional funds been available for implementation.
- **Flexibility Without Increased Funding Has Not Significantly Improved Child Well-Being**

Child welfare waivers have not demonstrated that increased flexibility without increased funding will significantly improve child well-being. It is also important to note that many waiver activities are authorized under alternate existing federal programs, though the state-imposed limits on federal funding for the child welfare population in those programs may preclude child welfare agencies from taking advantage of them. Spending limited child welfare funds on a broader range of activities, without increased funding, appears to limit child welfare agencies by shifting funds from other activities. In the end, several demonstrations have been terminated due to states' inability to contract with necessary providers for program implementation, primarily due to limited or insufficient fund availability.
- **“Do No Harm” is an Inappropriate Standard to Guide Child Welfare Reform**

On the positive side, waivers appear not to have harmed children in any significant way. Though evaluations of state demonstration projects have demonstrated inconclusive results, children in the experimental group appear to have had equal or somewhat better outcomes than children in the control group. Nevertheless, we do not believe that “do no harm” is an appropriate standard for child welfare reform.
- **Control Groups Have Not Been Evaluated for Potential Negative Impacts**

It is important to note that the evaluations do not follow the control group from pre-waiver to post-waiver points in time. Therefore, it is not possible to determine if children in the control group are losing services and/or benefits as a result of the potential shift in resources to the experimental group necessary to maintain the waiver's budget neutrality.

Federal Child Welfare Programs

Title IV of the Social Security Act broadly encompasses federal child and adult welfare policies, while Titles IV-B and IV-E are the provisions of federal law specifically targeting child welfare programs: foster care, adoption assistance, independent living, child welfare services, programs to "promote safe and stable families," family preservation and support, and related administrative, training, and data collection expenses. Specifically, Title IV-B outlines the federal government's dual aim of cooperating with states in their efforts to enhance child welfare services and "promote safe and stable families." Title IV-E is designed to encourage states to provide foster care and transitional independent living programs for low-income children, as well as adoption assistance for children with statutorily-defined special needs.

Titles IV-B and IV-E outline a cooperative role between states, through state public welfare agencies, and the federal government, through the U.S. Department of Health and Human Services (HHS). Under the assumption that it is in the best interests of children to live with their biological parents whenever possible, the Title IV-B and Title IV-E programs' goal is to provide families with the tools to remain together. The programs also require states to provide services that will protect those children whose parents demonstrate a need for assistance in performing their parental roles.¹

Title IV-B-1: Child Welfare Services

Congress has capped funding for Child Welfare Services grants under Title IV-B at \$325 million. States may use only limited amounts of their respective Child Welfare Services grants for child day care, foster care maintenance payments, and adoption assistance payments. Congress intended that as much of these grant funds as possible be directed toward the provision of supportive services designed to prevent the removal of children from their homes in the first place.² Only if children cannot remain at home should program funds be used for alternative placements such as foster care or adoption, with the underlying goal always being a prompt permanent home for the child either through reunification with the parents or adoption.³ Services are available to children and their families under this program regardless of their income.

As defined under the statute, "child welfare services" consist of public social services that have the following aims:

- protecting and promoting the welfare of all children, including handicapped, homeless, dependent, or neglected children;
- preventing or remedying, or assisting in the solution of problems that may result in, the neglect, abuse, exploitation, or delinquency of children;
- preventing the unnecessary separation of children from their families by identifying family problems, assisting families in resolving their problems, and preventing breakup of the family where the prevention of child removal is desirable and possible;
- restoring to their families children who have been removed, by the provision of services to the children and the families;

¹ See WMCP: 108-6, 2004 Green Book at § 11-1.

² See WMCP: 108-6, 2004 Green Book at §11-8.

³ "Parents" means biological or adoptive parents or legal guardians as defined according to relevant state law. See 42 U.S.C.A. §675(2) (2004).

- placing children in suitable adoptive homes, in cases where restoration to the biological family is not possible or appropriate; and
- assuring adequate care of children away from their homes, in cases where the child cannot be returned home or cannot be placed for adoption.⁴

Title IV-B-2: Promoting Safe and Stable Families

The formula grant program for Promoting Safe and Stable Families is capped at \$305 million to use in the development and enhancement of family preservation services, community-based support services, time-limited family reunification services, and adoption promotion and support services. Each of these service categories is defined in detail in the statute and regulations. In general, however, the program's goals are to prevent the unnecessary separation of children from their families; improve the quality of care and services to children and their families; and ensure permanency for children by reuniting them with their parents, whether by adoption or by another permanent living arrangement.

Title IV-E: Foster Care

States use funds under Title IV-E for foster care placement expenses, adoption-related expenses, and to provide independent living services for older children. Under the Title IV-E Foster Care Program, states receive federal entitlement funds to reimburse the costs of maintaining foster care placements for eligible children, administrative costs to manage the program, which include direct service caseworker and supervisory staff costs, and training for staff, foster parents, and staff of private agencies. To receive federal reimbursement, a child's family must receive TANF, or have been eligible to receive, Aid to Families with Dependent Children (AFDC) (as the program was in effect on July 16, 1996) or Supplemental Security Income (SSI) benefits.

Maintenance payments may cover the costs of food, shelter, clothing, daily supervision, school supplies, general incidental expenses, liability insurance for the child, and reasonable travel to and from the child's home for visits. In addition to case management, licensing activities, and pre-placement case management responsibilities, administrative reimbursement is available for expenses related to referral of services, placement of the child, and preparation for and participation in judicial hearings.⁵

Title IV-E: Adoption Assistance

Like the Foster Care Program, the Title IV-E Adoption Assistance Program operates as a federal entitlement program. States receive federal reimbursement for the cost of finding adoptive homes for children with special needs and for adoption subsidies to maintain adoptive those placements. Children with "special needs" include older children, children who are members of minority or sibling groups, and children who are physically, mentally, or emotionally disabled. States have discretion to determine eligibility criteria for "special needs" and whether or not a child is eligible.⁶ To receive assistance, a child must have been in a TANF family, or have been eligible to receive AFDC (as the program was in effect on July 16, 1996), or SSI benefits.

⁴ See 42 U.S.C.A. § 625(a)(1) (2004).

⁵ See WMCP: 108-6, 2004 Green Book at §11-22.

⁶ See WMCP: 108-6, 2004 Green Book at §11-33.

Title IV-E: Foster Care Independence

The Title IV-E John H. Chafee Foster Care Independence Program provides flexible funding to states for programs that help older children in the foster care system who are likely to remain in foster care until age 18 make the transition to self-sufficiency. Services provided under the program may include, for example, education, job training, and counseling. This program, created in December 1999 by the Foster Care Independence Act (Pub. L. 106-169), replaces the longstanding Independent Living Program. \$140 million is authorized for this program, with an additional \$60 million authorized for education and training vouchers for youths who age out of foster care.

§ 1130 Demonstration Program

The Child Welfare Waiver Demonstration Program, established by § 1130 of the Social Security Act, permits the U.S. Department of Health and Human Services (HHS) to waive most child welfare requirements under Titles IV-B and IV-E to allow a limited number of states to conduct innovative and experimental child welfare projects while spending no more federal Title IV-E funds than would have been spent without the demonstration. Since 1996, 17 states have implemented 25 child welfare demonstration projects. For new waivers, DHHS has expressed particular interest in proposals that would examine the following: performance-based systems, integrated systems for behavioral health (substance abuse and mental health), effective prevention and early intervention, adoption and post-adoption services, service improvements for children in the placement and care responsibility of tribes, service improvements for adolescent youth, and reunification services for adolescent youth.⁷

Many of these demonstration projects have recently been completed, with varying levels of success. Under the demonstration authority, states granted a waiver are required to procure an evaluation by an independent contractor of the effectiveness of the demonstration project, which are discussed in more detail below.⁸ In addition, such waivers are required to be budget neutral to the federal Title IV-E program.⁹

Waiver Application Process

In order to provide states with an opportunity to test a wide range of approaches to child welfare reform, the waiver program allows states to waive most requirements of Titles IV-B and IV-E of the Social Security Act. The waiver program is governed by a combination of: (1) § 1130 of the Social Security Act, as amended by the Adoption and Safe Families Act of 1997 (ASFA);¹⁰ (2) principles and procedures first outlined in a 1995 public notice appearing in the Federal Register;¹¹ and (3) the Department's annual

⁷ See <http://www.acf.hhs.gov/programs/cb/dis/tables/sec11gb/waivers.htm>

⁸ Social Security Act § 1130(f)(1)

⁹ Social Security Act § 1130(g)

¹⁰ See ASFA, Pub. L. 105-89. The waiver demonstration program was established by the Social Security Amendments of 1994, Pub. L. 103-442.

¹¹ 60 Fed Reg 31478 (June 15, 1995). The notice is not legally binding on HHS and “does not create any right or benefit, substantive or procedural, enforceable at law or equity, by any person or entity, against the United States, its agencies or instrumentalities, the states, or any other person.” See *id.*

information memorandum.¹² The Children's Bureau, which oversees the program's implementation, is a division of the Administration on Children, Youth, and Families (ACYF), which in turn is part of the Administration for Children and Families (ACF) within HHS. While the Bureau has responsibility for the overall management of the waiver projects, ACF Regional Office staff are principally responsible for on-site management and communication.

HHS solicits applications for waiver projects each year on a competitive, rolling basis through an information memorandum sent to state social services directors, state child welfare administrators, and state adoption and foster care coordinators. Each year, typically during the summer, HHS publishes a list of new proposals with brief descriptions of each project as a public notice in the Federal Register; project descriptions are also available on the Department's website. Currently, thirty projects have been approved in a total of twenty-one states and the District of Columbia. For a list and brief description of all ongoing waiver projects, see Appendix A.

List of Waiver Activities

1. Intensive Service Options - Two states (California and Mississippi) have implemented demonstration projects that provide services otherwise not authorized under Titles IV-B and/or IV-E.
2. Managed Care Payment System - Five states (Colorado, Connecticut, Maryland, Michigan and Washington) are testing new financing mechanisms for specific services or populations that would otherwise not be allowed under Titles IV-B and/or IV-E.
3. Assisted Guardianship/Kinship Permanence (including Tribal) - Seven states (Delaware, Illinois, Maryland, Montana, New Mexico, North Carolina and Oregon) were awarded demonstration projects to provide relatives and foster parents who are caring for children in child welfare agency custody with the opportunity to become the children's legal guardians and be eligible for a monthly stipend up to the amount of foster care payments. A waiver is needed because currently monthly stipends can only be made to support children in the custody of the public child welfare agency or children who have been legally adopted. The law (section 471(a)(19)) requires states to "consider giving preference to an adult relative over a non-related caregiver when determining a placement for a child, provided that the relative caregiver meets all the relevant State child protection standards." Most states have developed programs consistent with the Congressional belief that children requiring foster care are best served by placement with relatives willing to care for them, rather than with unrelated foster parents, as long as the relatives meet appropriate safety screening requirements. Relative caregivers may become licensed foster parents in order to receive the monthly foster care stipend. However many relative caregivers choose not to become licensed, because they don't want to become formal foster parents, or because they wish to minimize their involvement with the child welfare system, and may only receive the TANF

¹² See, e.g., Information Memorandum ACYF-CB-IM-03-06 (November 24, 2003), available at the Bureau's website at <http://www.acf.dhhs.gov/programs/cb/laws/im/im0306> [hereinafter "Information Memorandum"]. Similar to the Federal Register notice, the Information Memorandum is not legally binding on HHS and does not create any enforceable right or benefit.

grant for the child to support the child's needs. A few states have funded their own assisted guardianship programs.

4. Services to Substance-Abusing Caretakers - Four states (Delaware, Illinois, Maryland and New Hampshire) are using child welfare waivers to address the needs of caretakers with substance abuse problems. This service is currently not authorized under Title IV-E.
5. Enhanced Training for Child Welfare Staff – Illinois is developing and implementing an enhanced training program for public- and private-sector child welfare professionals serving children in placement and their families.
6. Capped IV-E Allocations and Flexibility to Local Agencies - Four states (Indiana, North Carolina, Ohio and Oregon) are providing counties or other local entities the opportunity to use IV-E funds more flexibly than would otherwise be authorized under Title IV-E to expand the array of services available. In these states, counties may use IV-E funds for an array of services, but their total IV-E allotment is fixed by agreement with the state. These states have arrangements with participating counties to share risks and rewards if expenses are either below or above their planned IV-E allotment, as used to determine budget neutrality.
7. Adoption Services – Maine has a demonstration project designed to improve permanency by promoting or strengthening adoption, primarily through mental health services and therapy services.
8. Tribal Administration of IV-E Funds – New Mexico works with Tribes to develop the administrative and financial systems necessary for the Tribes to administer their Title IV-E foster care program and claim Federal reimbursement directly.

Recent Child Welfare Waiver State Evaluations

Intensive Services Options

California

California's waiver was implemented on December 1, 1998 and was extended through July 31, 2004 (as of May 2004, plans for a longer extension were under discussion). The original waiver agreement had three components: Intensive Services Options (permitting use of IV-E funds for innovative and intensive services in specified conditions), Extended Voluntary Placement (extending federal funding for voluntary placements from 6 to 12 months), and Kinship Permanence (subsidized guardianship for adolescents living in long-term, stable relative placements). California discontinued the Extended Voluntary Placement component in August 2002 due to slow implementation and enrollment, and the Kinship Permanence component was discontinued when the statewide program Kin-GAP was implemented and funded through TANF savings.

The Intensive Services Options was the only surviving component of the waiver, although two types of service delivery models – Shared Family Care and Community Mentoring – were discontinued. As of May 2004, two models of Intensive Services were being implemented – a Family Conferencing model (being tested in 2 counties) and a Wraparound model (being tested in 5 counties). The two counties implementing Family Conferencing projects are using different approaches – in one county (Riverside), the

target population is families with at least one child in foster care, and the goal of the service delivery is improving placement stability. In the other county (Fresno), the target population is children assessed at moderate to high risk of further maltreatment, and the goal of the service delivery is placement prevention. In the counties using Wraparound models (Alameda, Humboldt, Los Angeles, Sacramento, and San Luis Obispo), the service delivery systems vary.

According to the waiver evaluation conducted by University of California at Berkeley in May 2004, the two intensive services models were only moderately successful at improving child welfare outcomes.

Family Conferencing Model: Because of the small sample sizes, the analysis combined the two counties. The analysis reported modest gains by the experimental group in terms of health status and emotional well-being (the ages of the children were too young to assess school, social and peer group indicators), but the group receiving the services did not fare better on child welfare measures. The evaluators also noted that the small sample size contributed to the inability to detect differences between groups and suggested that child welfare outcomes may not be adequate measures of an intervention's failure or success.

Wraparound Model: Overall, the evaluators concluded that children receiving Wraparound, compared to children receiving traditional child welfare services, do not have higher levels of child safety, placement stability or permanence. They also noted that trends of findings do not show improved child welfare outcomes for children receiving Wraparound. They noted, however, two significant findings in specific counties: in Alameda County, a larger proportion of children receiving Wraparound were living in family-based environments at the end of the study, and in Sacramento County, a smaller proportion of children receiving Wraparound exited care due to incarceration. Evaluators noted the following as possible explanations for the neutral findings: evaluations conducted prior to program maturity; impact of the range of child and family characteristics in a small sample on the ability to measure impact; and the possibility that the comparison group received similar services through other programs as those in Wraparound, reducing the potential differences in outcomes.¹³

Mississippi

Mississippi's intensive services waiver was implemented on October 1, 2002 and is expected to be completed by September 30, 2007. The waiver gives the participating

¹³ The May 2004 report of James Bell Associates Inc. reported additional information on Alameda County's Wraparound model. The model incorporates financial controls on service delivery similar to those used in managed care service delivery models, providing financial incentives for providers to transition children home or to lower levels of care, with reinvestment of savings to improve quality of care. The model also blends Medicaid funds for children's mental health with Title IV-E funds to provide for a more flexible approach to service delivery. Approximately 40% of project funding comes from Medicaid. The May 2004 report stated that as of February 2003, the placement disruption rate for children in the experimental group was nearly 60% lower than for children in the control group; children in the control group were twice as likely to change placements due to requiring a higher level of care or placement in a medical facility and three times more likely to have disrupted placements due to behavior; and fewer children in the experimental group required hospitalization.

eight counties discretion in their use of Title IV-E funds. The state provides families in the experimental group with a combination of existing and newly created services, and the state maintains that these services eliminate behaviors, activities or situations that may be harmful for children. The state is tracking 17 services and activities for evaluation. Mississippi had originally planned for a sample that would result in 1,174 cases in the experimental group and 1,174 cases in the control group. But as of September 30, 2003, only 198 cases had been assigned to the experimental group. Preliminary data from the waiver show that a higher percentage of families in the experimental group than in the control group received 16 of the 17 services being tracked. Outcome findings are not yet available.

Managed Care Payment Systems

Colorado

Colorado's waiver was implemented on October 26, 2001; the state terminated the project early (as of June 30, 2003) due to state budget constraints, lack of interest among counties (only one county – Arapahoe – participated) and difficulties in developing a fixed payment rate for the services. The target population included children ages 10 and older who were at high risk of, or were already experiencing, "placement drift" and/or were at significant risk of aging out of care without a permanent family relationship. Children in high-cost residential care were also included. The county child welfare agency negotiated a payment rate with a private provider to deliver the necessary services (intensive residential care, managing cases to move children to less restrictive levels of care, ensuring that an array of prevention and intervention services was available, and otherwise arranging for all necessary services). The state concluded that the short time-frame and the small number of children having completed treatment were insufficient to reach any statistically significant conclusions. The state did note, however, that in the treatment group, only 44 percent of youth were placed within one month, versus 71 percent for the control group. The state attributed this to the control group being placed on waiting lists more quickly than the treatment group due to the structured admissions process instituted by the private provider delivering the services.

Connecticut

Connecticut's waiver was implemented on July 9, 1999, but was terminated by the state in February 2002 due to statewide reform of Connecticut's behavioral health system, *Kidcare*, which affected the need for the child welfare waiver. From the outset, intake for the program lagged slightly behind pre-implementation projections (perhaps because over 2/3 of the children evaluated for inclusion in the project were found ineligible because of the high acuity of their mental health needs). But the State blames the broader system change for the need to terminate the demonstration, and by the beginning of the third year of implementation, the referrals were inadequate to sustain the private contractors. The goal of the waiver was to evaluate whether the well-being of children in need of residential mental health services could be improved, and lengths of stay in restrictive placements reduced, by providing case rate payments to a community agency.

In its final report, the State found that the service delivery arrangements developed by the contractors were not as comprehensive as they had anticipated, and noted that it was difficult to create and manage a comprehensive system using a single rate payment system due to the diversity of children's and family's needs, and the small number of families and their geographic distribution. The State found that all children followed by the waiver (including those in the control group) made progress in all three

outcome domains (reduction in symptoms, decreases in level of functional impairment, and increases in strengths) over the first 12 months. The State also found that the Local Service Agency (LSA) contractors were more successful in maintaining children in non-institutional settings and were able on average to maintain children for longer period in at-home settings than the Department of Children and Families (DCF) (the control group). But the total number of participants interviewed for the evaluation was small (97), and it is unclear whether the results are statistically significant (44% of children receiving service from LSAs were in in-home placements at the end of the 24 month follow-up period, and only 37% of children receiving services through DCF were in in-home placements at the end of this period).

Maryland

In the waiver agreement implementing this project, Maryland is implementing a project to provide services to substance-abusing caretakers (the state also has a waiver agreement to implement an assisted guardianship project). The State's managed care payment system project was implemented on January 1, 2000 and was prematurely ended on December 31, 2002 due to State budget constraints. Under the waiver, the program conducted in the City of Baltimore, Maryland intended to contract with up to two licensed child placement agencies ("lead agencies") to provide case management, permanency planning, and support services at a fixed rate, but only one contract was executed. Cost savings were to be directed to enhanced services; the lead agency risked financial loss if costs for the enrolled population exceeded the fixed rate (although the lead agency was protected by a stop-loss provision to limit its financial losses). The State reported numerous difficulties in transitioning responsibilities to the lead agency, and overall found that flexible use of IV-E funds did not result in the development of the expected services delivery system (and the expected substitution of lower-cost services (home and community based social and therapeutic services) for higher cost out-of-home care services did not occur). The lead agency responded that the fixed rate paid by the State was not sufficient to meet the costs of care due to higher than anticipated therapeutic needs of children referred to the project.

Michigan

The state implemented its managed care payment system waiver on October 1, 1999, and it was completed on September 30, 2003 (it was a four-year demonstration). Under the demonstration, providers assumed case management responsibility and controlled expenditures of funds to achieve safety and permanency goals. After the first two years of the project, the State found that the demonstration included fewer families than expected; costs in the experimental group significantly exceeded those for the control group; and there were no statistically significant differences in key outcomes between the experimental and control group. In response, the State renegotiated the risk contracts in order to try to fix barriers to implementation, which included lack of financial incentives to initiate services quickly and resolve case issues; the discretion given to contractors to drop families from the project; and contamination of the research design due to reluctance on the part of contractors to randomize participants (and thus they provided similar services to the control group). The State reported that it expected to have significant problems completing the final evaluation due to staff turnover at both the state and contractor level. The State did report that it had found no statistically significant differences to date between children in the experimental and control groups with respect to child welfare outcomes, and that the costs of the project were higher than expected.

Washington

Washington's demonstration was implemented on March 27, 2002, but was terminated four years early due to lower-than-expected numbers of referrals and problems contracting with service providers. The targeted population was children ages 6 to 17 who were in need of mental health or special education services and either at risk of entering or already placed in high-cost group care or high-cost family foster care. The State had the option to test alternative financing mechanisms in as many as six sites, but the demonstration was only implemented in two sites: Clark and Spokane Counties. In Spokane County's model, the State paid the County \$2,400 per month per child; Spokane County then contracted with a licensed foster care agency to make referrals and placements, and this contractor in turn subcontracted with another agency to provide wraparound services and facilitate the provision of Individualized Tailored Care (ITC) services adapted to the needs of individual children. Spokane terminated the demonstration after the contractor reported that it was unable to continue providing services at the contracted case rate. Clark County implemented a "wraparound" service model featuring Care Coordinators; the County's demonstration was terminated by mutual consent on June 30, 2003.

Enrollment in both projects was lower than expected. At the termination of Spokane's project, eight children had been assigned to the experimental group and three to the control group. Clark County enrolled eight children in the experimental group and seven in the control group at the time of termination of its project. The State noted in its termination summary report that because of the small number of youth enrolled in the demonstration at both sites, the findings presented in the report are inconclusive. Limited bed capacity, in part due to the contractor's inability to recruit a sufficient number of licensed foster homes, hindered enrollment in Spokane County; Clark County's project suffered from disagreements over eligibility criteria (confusion as to whether the project could serve all children eligible for mental health services or just those actually receiving the services at the time of enrollment).

Assisted Guardianship/Kinship Permanence

Delaware

Delaware implemented their waiver on July 1, 1996 (the waiver agreement encompassed two projects – the assisted guardianship program and a project on substance-abusing caretakers) and it was completed on December 31, 2002. The target population included IV-E eligible children who had been living in an approved foster placement for at least one year with a strong attachment to their potential guardian (and for whom reunification and adoption were not options). The State's final evaluation report noted that the average time for a court award of guardianship was nine months, but ranged from less than three months to more than year due to time spent waiting for a court date. The State set a target of 10 guardianships per year, but expansion to this level was slow due to caseworkers not discussing this option with potentially eligible families. Evaluation of the demonstration was challenging -- although individuals who completed surveys expressed satisfaction with assisted guardianship, only three guardians completed verbal interviews upon being awarded guardianship, and of the 27 guardians who were mailed surveys, only four responded.

Illinois

This is the first of three demonstrations Illinois is conducting (the other two are waivers to provide services to substance-abusing caretakers and to provide enhanced training for child welfare staff). This waiver project was first implemented on May 1,

1997; the first phase was completed on December 31, 2003, but the project has been extended for another five years (beginning January 1, 2004) and will focus on special transition programs for “older wards” (children ages 14 through 18).

The monthly subsidy payments (and special services) are offered to eligible relative caretakers and licensed, non-relative foster parents who assume legal guardianship of the children in their care. The evaluators found that the availability of guardianship boosted net permanence by 6.1 percent and the withdrawal of regular administrative oversight and casework services from the families in the program did not result in higher rates of subsequent reports of abuse or neglect. In addition, the demonstration did not demonstrate any differences in home stability or disrupted placements than foster care or adoptions. The waiver was found to be cost neutral, with a surplus of approximately \$113.5 million in maintenance payments and a surplus of about \$54.4 million in administrative payments.

Maryland

In addition to the waiver agreement to implement this project, Maryland has an agreement to implement a project to provide services to substance-abusing caretakers and a managed care/capitated payment system project. The waiver agreement for this project was implemented on March 1, 1998, and was extended to September 30, 2004. The project began in the City of Baltimore; plans to expand the demonstration to other counties were not implemented. Under the waiver agreement, the guardianship subsidy was \$300 per child per month – lower than the foster care rate (\$600 per month) but higher than the TANF child-only payments (\$167 per month). As a result, kinship caregivers who became guardians received a \$122 increase to support the child, while licensed relative foster parents who became guardians had their subsidy reduced by half. The state hypothesized that relative foster parents would accept the reduced stipend in order to have the authority to make decisions on behalf of the child without state involvement. Guardians were also granted priority to receive support services from local social services offices. The State reported that fewer caregivers than expected agreed to participate in the demonstration, and still fewer cases in the experimental group were interested in seeking guardianship (apparently, reduced state involvement with the family was not as great an incentive to pursue guardianship when it meant reducing assistance from \$600 to \$300 per month). Maryland’s final evaluation noted that children in kinship care in the experimental group exited foster care more rapidly than those in the control group, but this effect was not observed for children in relative foster care. The State also reported that there do not appear to be any significant differences in the permanency rates of children in the experimental and control groups.

Montana

Montana’s demonstration was implemented on June 21, 2001 and is expected to be completed on March 31, 2006; it targets Title IV-E eligible children in state or tribal custody. Guardians can request services that are typically available to adoptive families in the state in addition to financial and medical assistance they receive as part of the program. Surveys of families participating in the program show high levels for measures of stability and well-being; academic and vocational performance; safety and behaviors; services, support and satisfaction; and quality of life. The State notes that the biggest difficulty encountered in the project is reluctance on the part of caseworkers to place families into the control group. Outcome findings are not yet available.

New Mexico (Tribal Assisted Guardianship and State Custody Assisted Guardianship)

The State's demonstration consists of three components: (1) tribal administration of Title IV-E funds (discussed further below); and (2) Tribal Guardianship and (3) State Custody Guardianship (discussed here). The Tribal Assisted Guardianship component of this project (which was implemented on July 1, 2000) is limited to children in custody of Tribes with Joint Powers Agreements with the states or Tribes participating in the Tribal Administration of IV-E funds component (currently, only the Pueblo of Zuni). The State Custody component (which was implemented in April 2001) is open to Native American and non-Native American children in state custody who are IV-E eligible. Both components are expected to be complete on June 30, 2005.

As of October 31, 2003, only 17 Native American youth were participating in the experimental group of the Tribal Assisted Guardianship project, while 85 Native American youth in state custody were participating in the comparison group. The State reports that the low number of children placed in the experimental group occurred primarily because of Title IV-E ineligibility of children in out-of-home placement. The State Custody component has more than 4,500 children assigned to each group (experimental and control). No outcome findings have been presented to date on the Tribal Assisted Guardianship component. With respect to the State Custody component, the State found that compared to adopted children, youth in assisted guardianship spend an average of two months less in other out-of-home placements prior to being placed in assisted guardianship, and the costs of these placements is less. The State also notes that overall, the different components of the demonstration appear to be having the desired effects (*i.e.*, youth outcomes are positive and costs are about the same as for youth not in the demonstration).

North Carolina

Of the 19 counties participating in North Carolina's capped allocation/flexibility waiver (see below), eight counties developed assisted guardianship programs. Few assisted guardianships were developed early in the demonstration due to perceived financial risk to counties of continuing payments after the end of the demonstration period and agency staff beliefs about the appropriateness of guardianship arrangements (versus adoption).

Services to Substance-Abusing Caretakers

Delaware

This is the second project in Delaware's waiver (the other project is assisted guardianship), implemented on July 1, 1996 and completed on December 31, 2002. The target population was children in foster care or likely to enter foster care due to parental substance abuse. The State created multi-disciplinary treatment teams composed of a substance abuse counselor and child protective services (CPS) workers, with the counselor accompanying CPS workers on initial home visits and making referrals for treatment. They hoped to serve 960 families in the project, but were only able to serve 530 families. Substance abuse counselors worked with the families much longer than expected, and caseloads were also larger than expected. The final evaluation reported noted that the State was not able to serve the number of families expected because of a lack of appropriate external treatment programs and resources (resulting in counselors providing services to caregivers themselves rather than referring them to outside programs).

All 530 families identified as potential clients were offered a referral for substance abuse services, but only 32% of them actually entered treatment (only three clients

refused services). The State also set a target of preventing or delaying entry into foster care, as well as reducing the average number of days children spent in care by 50%. The average number of days in foster care was reduced for the experimental group – but not by a statistically significant amount. On average, children in the demonstration units spent 204 days in foster care, whereas children in the control units spent 294 days in foster care (about a 31% difference). The State also sought to enhance parents' ability to provide adequate care for their children in the home and to increase well-being among children and families – but insufficient data was available to assess either of these measures. Further, no statistically significant differences were found regarding length of time to achieve permanency or the percentage of closures due to case plan completion.

Illinois

This is the second of three demonstrations Illinois is conducting (the other two are waivers for assisted/subsidized guardianship and to provide enhanced training for child welfare staff). This waiver project was implemented on April 28, 2000, and is expected to be completed June 30, 2005. Participants in the waiver project (substance-abusing caregivers) receive Recovery Coach services in addition to traditional child welfare and substance abuse treatment services. Recovery coaches assist families early in the treatment process and provide support during and after treatment to prevent relapse and facilitate reunification. Illinois initially planned to create a second experimental group that would receive an enhanced array of services in addition to Recovery Coach services, but this portion of the project was limited due to economic resources (instead, for participants in "Demonstration B," Recovery Coaches use a new tool called the Progress Matrix to measure parents' progress in treatment and recovery and to help inform permanency decisions in juvenile court). According to the interim evaluation report, there is evidence that parents in the demonstration group are more likely to access substance abuse treatment (69% demonstration vs. 60% control) and to access this treatment more quickly (median days: 14 demonstration vs. 28 control). But there is no statistically significant evidence that children in the demonstration group are more likely to be safely reunified with their parents (8.4% in the demonstration group and 6.0% in the control group), and no statistically significant differences between rates of subsequent allegations of maltreatment (4% for both groups) or number of foster care placements (3.67 days for the demonstration group vs. 3.79 days for the control group). Children in the demonstration group do spend fewer days in foster care relative to children in the control group, but the difference may not be statistically significant (282 days for the demonstration group vs. 309 days for the control group).

Maryland

In the waiver agreement implementing this project, Maryland is also implementing a managed care/capitated payment system project (the State also has a waiver agreement to implement an assisted guardianship project). This project was implemented on October 1, 2001, and ended two years early (December 31, 2002) due to the lower than expected number of eligible cases. The State's plan was to develop multi-disciplinary Family Support Services Teams to provide comprehensive, coordinated services to families. The State had initially planned to implement the project in Baltimore City and Prince George's County, and added a third site (Baltimore County) in an effort to recruit more eligible participants. State evaluators tried on multiple occasions to modify the intake procedures and provide additional training to case workers to facilitate the enrollment of more participants, but the strategies were not successful. No outcome findings are available.

New Hampshire

New Hampshire implemented its waiver on November 15, 1999 and expects to complete the project on December 31, 2004. Initially, the project was hampered by staff turnover (which hindered linking of the substance abuse therapist with experimental group cases) and low levels of engagement during the client assessment process due to client reluctance to admit to or reveal substance abuse problems. But by June 2002, a total of 450 families had been enrolled in the project. In September 2003, the State reported a number of promising (although not statistically significant) trends, including fewer referrals for child welfare services and lower rates of alcohol and drug problems reported among participants in the experimental group. The State also reported that children in the experimental group had greater declines in five of eight problem categories (anxiety and depression; withdrawn/depressed; somatic problems; attention problems; aggressive behavior). Mean problem scores decreased for all subscales in both the experimental and control groups. In a progress report from March 2004, the State reported the following trends: families receiving enhanced services show fewer subsequent referrals that resulted in open cases (*i.e.*, requiring additional services), and children in enhanced open cases are experiencing less time in temporary out-of-home care and fewer placement transitions when in care. It is unclear at this point whether any of these outcomes will be statistically significant.

Oregon (see description below re: Capped IV-E Allocations and Local Agency Flexibility)

Enhanced Training for Child Welfare Staff

Illinois

This is the third of three demonstrations Illinois is conducting (the other two are waivers for assisted/subsidized guardianship and to provide services to substance-abusing caregivers). This project was implemented on January 1, 2003, and is expected to be completed on December 31, 2007. In this project, “enhanced training” focused on child welfare outcomes is provided to all Department of Child and Family Services (DCFS) new hires and a random sample of newly hired private agency staff. It includes classroom training as well as structured field support for one year for private sector new hires. According to the semi-annual report (January 2004-June 2004), the waiver has been in place for 18 months and three sessions of “enhanced training” were held, with approximately 62 private agency and DCFS new hires in attendance. In January 2004, DCFS decided to transition all aspects of the training waiver implementation and administration back to DCFS from the Children and Family Research Center at the University of Illinois. During the early implementation phase of the waiver, waiver staff and trainees identified a number of necessary revisions to the curriculum – but due to the change in management, the curriculum revision plan (developed with the assistance of a consulting curriculum manager) has yet to be rolled out. Also, due to the management change, the field support component of the intervention and the originally planned “booster sessions” have been temporarily suspended. Notwithstanding the management changes, the program boasts a 95% participation rate among eligible agencies. The interim evaluation report is due July 31, 2005.

Capped IV-E Allocations and Local Agency Flexibility

Indiana

Indiana implemented its waiver project on January 1, 1998; a short-term bridge extension was granted until September 30, 2004 (and the Children’s Bureau is

considering a three-year extension). Any child being served by the Indiana Division of Family and Children was eligible to participate, but participation by children ineligible for Title IV-E services was limited to 25% of the population served at any given time. Ninety out of ninety-two Indiana counties participated. In the project, Indiana provided counties with a capitated payment of \$9,000 per child, which could be used to provide flexible services for a child in foster care or at risk of being placed in care. Funds could be used to provide out-of-home care and services to prevent placement, reduce the need for institutional placement, and/or reduce the time necessary to achieve permanency. About 25 of the participating counties used the waiver funds to augment child protection services for children in the experimental group, and in these sites counties provided increased services at a statistically significant level. Other counties made limited use of the new program (a number of counties reported difficulties identifying a sufficient number of Title IV-E eligible cases).

In the final evaluation, the State found the waiver to be “positively associated with certain immediate experiences of the child and his or her family” – including increased services, improved educational experiences and increased family satisfaction. The proportion of waiver children in program counties who were never placed out of the home was 45.6%, compared with 38.0% of matched non-waiver children, a statistically significant difference. The State also found that with respect to out-of-state placement, 1.5% of waiver children were placed out-of-state compared to 3.3% of control children, also a statistically significant difference. Within program counties, mean length of placement for all waiver children removed from their homes was 290 days compared to 316 days for matched control children – a “statistical trend” (but not necessarily statistically significant). A greater percentage of waiver children were reunified with their parents, but a significantly greater percentage of control children were placed with prospective adoptive parents (7.1% of control children, vs. 3.4% of waiver children). There were no statistically significant differences between the groups in terms of new reports of maltreatment. Indiana concluded that the demonstration had achieved a number of its goals but that its impact was relatively modest and most evident in those counties that had utilized the waiver actively and “with greater fidelity to the intensive services model.”

North Carolina

North Carolina began its waiver on July 1, 1997; the original completion date was June 30, 2002, but the State received four bridge extensions (the last of which expired on June 30, 2004). Nineteen of the state’s 100 counties participated in the demonstration. Each county was able to develop its own initiatives, with the State’s approval, and they differed in both the number and type of initiatives developed (two counties established two new service areas, and five counties implemented seven new service areas). Unexpended State funds which had been budgeted for the cost of care for non-IV-E eligible children were placed in trust for use by the demonstration counties for innovative efforts that targeted one or more of the demonstration goals. According to the State’s final report from November 2002, data from the project revealed a “consistent and persistent pattern indicating a reduced probability of out-of-home placement” in waiver counties in contrast to minimal changes for children in comparison or other counties in the state. The report also noted that children entering placement in the post-waiver years were more likely to exit placement than children entering in the pre-waiver years – but this trend was present in all county groups. Finally, rates of re-entry to care declined in waiver counties, but in the most recent two years the rates of improvement in more active waiver counties were surpassed by those in other waiver counties. The raw

data are not included with the report, and there is no indication as to whether these findings are statistically significant.

Ohio

Ohio's waiver was implemented on October 1, 1997 in 14 counties. The demonstration was originally expected to end (after a one bridge extension) in October 2003, but second and third bridge extensions were granted until September 30, 2004 (the State has also requested a long-term extension and authority to implement the demonstration statewide). Counties participating in the demonstration developed one or more strategies to improve services and control costs, including expanding the array of services, creating capitated contracts for services, improving case management and coordination, increasing competition among providers, establishing utilization review mechanisms and developing quality assurance systems. Counties that achieved Title IV-E savings could reinvest funds in other services. The experimental counties implemented a number of changes in their child welfare systems that were not replicated in "comparison" counties, including new targeted prevention activities, more systematic gathering of outcome information, increased use of managed care strategies, and increased adoption of joint funding mechanisms. But there were no statistically significant differences in a number of areas, including family involvement in decision-making, likelihood of conducting formal reviews of placements, improved service availability and timely access to service and interagency collaboration.

The State identified a number of factors as diminishing the measurable effects of the waiver, including too small of a sample size (14 counties) to produce statistically significant findings, evaluators using somewhat different standards, separation of fiscal administrators from program administrators and limited risk to counties for not reducing foster care spending. Overall, the State found no significant differences in child welfare spending between experimental and comparison counties, and the final report presented mixed results. Although some changes were noted, they were not strong enough to reform the State's system fundamentally, and the observed changes were neither large nor targeted enough to create statistically significant differences in foster care expenditures or child and family outcomes. The State concluded that the flexibility provided by the waiver facilitates reform efforts where other factors are already conducive, but may not itself be robust enough to generate fundamental reform of the state's public child welfare system.

Oregon (also Assisted Guardianship)

Oregon began its demonstration on July 1, 1997. The demonstration -- active statewide -- was originally scheduled to end in June 2002 but received several bridge extensions before being approved for a five-year extension by HHS through March 2009. Phase I of the demonstration -- which includes capped IV-E allocations, flexibility to local agencies and assisted guardianship -- began with the waiver's implementation. The State is continuing to operate these programs in Phase II (during the five-year extension) but is also undertaking a special study of its Family Decision Meeting (FDM) Service Coordination. Oregon has a history of developing, training and implementing approaches to involving families in decision-making, and Oregon law now requires that child welfare personnel consider an initial FDM within 60 days for every family entering the system. (Oregon plans to perform a separate evaluation of the special study of FDM Service Coordination.) From the start of the demonstration, each region of the State was given the ability to utilize flexible funds for innovative services and/or FDM meetings, and the subsidized guardianship component was added in the third year. Innovative service plans represented nearly half of the total waiver plans implemented during the

demonstration, and enhanced visitation was the most prevalent service provided during the demonstration.

A number of factors limited the State's ability to measure the impact of its demonstration, including: making comparisons at the aggregate level; the demonstration occurring commensurate with a period of major human services reform by the State, making it difficult to isolate outcomes associated with the demonstration; a dramatic downturn in the State's economy; late implementation of a service due to the need to develop the necessary infrastructure; and the State's broad systems change approach, which made in-depth examination of specific direct services impossible. According to interviews with State and local administrators, the cost neutrality requirement was one of the greatest challenges to implementation, and because of failure to maintain cost neutrality, many innovative services implemented early in the waiver were curtailed, discontinued completely or shifted to other funding sources. But the State notes in its final report that that all of the innovative services that remained cost-neutral continued throughout the demonstration.

Overall, patterns of child welfare expenditures (including foster care, TANF, Title XIX, State General Fund and Title IV-E) changed significantly during the demonstration period. Yet, the effects of the child welfare waiver were minimal, as waiver-related expenditures represented less than one percent of total child welfare spending. Among the findings were:

- Access to IV-E and/or State "system of care" (SOC) funding increased the likelihood that children remained in their homes within a year of maltreatment (but the State notes in its report that these findings should be interpreted with caution, since the study did not measure the impact of a specific service or combination of services on child and/or family-specific outcomes);
- Children served by a waiver project with a single source of flexible funds were more likely to remain in the same placement within a year than children in projects that received both waiver and SOC funds;
- No association was found between increased flexibility of Title IV-E or SOC funding and the likelihood of children returning home one year after out-of-home placement;
- Access to IV-E funding was not related to the establishment of permanent placements with relatives; and
- There were no differences among groups in likelihood of subsequent maltreatment.

Adoption Services

Maine

Maine's waiver project was implemented on April 1, 1999; the demonstration was originally expected to end in March 2004, but the state received a short-term extension of the project through May 1, 2005 and has requested a three-year extension from HHS. The project targets families that are adopting children with special needs, and the intervention has two parts: (1) an adoption competency training program for mental health professionals who work with adopting families or adoptable children, and (2) provision of post-adoption support services to families who choose to adopt. The State expressed concern about initial delays in getting the demonstration underway in some locations and about the rate of attrition, as families continue to drop out of the demonstration. As of December 2003, 67 out of 120 children enrolled in the first year (Cohort One) had left the demonstration; 57 of 143 children in Cohort Two had left the

program; and 43 out of 125 enrolled in Cohort Three had left. Although more than three-fourths of respondents to a survey conducted by the State between March and May 2003 were supportive of the demonstration, as of July 2004 there were no statistically significant differences reported between experimental and control groups on child-level outcomes, including attachment to the family, mental health and functioning, health and development, satisfaction with adoption, and positive behaviors. (The State notes that program officials, in response to these interim findings, have asked evaluators to discern whether there are any significant differences in outcomes based on levels of exposure to the various interventions in the project; that report is due January 1, 2005.) But some statistically significant (although still small) differences have emerged in favor of the post-adoption services model on two family-level outcomes: (1) family attachment to child, and (2) percent of caregivers who trust the child (with the experimental group reporting higher levels of trust with the child). On all other family-level variables, there were no statistically significant differences.

Tribal Administration of IV-E Funds

New Mexico

As noted above, the State's demonstration consists of three components: (1) tribal administration of Title IV-E funds; (2) Tribal Guardianship; and (3) State Custody Guardianship. This particular project – tribal administration of Title IV-E funds – was limited to Tribes that do not already have Joint Powers Agreements with the State, and to date only the Pueblo of Zuni is participating. (The seven Tribes and Pueblos with Joint Powers Agreements are participating as the comparison group.) The project was implemented on July 1, 2000 and is expected to be completed on June 30, 2005. The State is seeking to prove that Tribes can effectively administer Title IV-E programs and how Tribal administration affects the nature and comprehensiveness of Tribal social service and child welfare systems in caring for children. The State has released some preliminary data on the project, but due to the limited number of placements in the demonstration, preliminary data is insufficient to draw meaningful conclusions. The Tribes and Pueblos participating in the demonstration continue to express enthusiasm about the significance of the demonstration initiative, in terms of improving the quality of child welfare services for both tribal youth and tribal sovereignty. But they note that the current administrative and regulatory structure of the program presents significant barriers, making it difficult for Tribes to participate. As a result, there are low numbers of children and youth enrolled in the demonstration. (For example, there is no vehicle to provide State matching funds to Tribes and Tribal social service programs lack the infrastructure necessary to access and administer IV-E funds.)

Other Authorities for Waiver Activities

The § 1130 waiver authority allows the Secretary to waive “compliance with any requirement of part B or E of title IV which (if applied) would prevent a state from carrying out a demonstration project under this section or prevent the state from effectively achieving the purpose of such a project,” with certain exceptions.”¹⁴ Interestingly, many waiver activities approved by HHS under Title IV-E are authorized under other federal programs, but are not implemented under those programs. It is not clear from the demonstration evaluations why states choose to perform such activities

¹⁴ SSA §1130(b)

under child welfare waivers, as opposed to performing them under Medicaid, SCHIP, TANF, SSBG, or Title IV-B.

Medicaid

Under Medicaid and SCHIP, states are authorized to provide medical services to individuals that meet certain eligibility criteria. As described above, some states have implemented Managed Care Payment Systems and Intensive Services Options under IV-E demonstrations that include mental health activities, as well as Services to Substance-Abusing Caretakers. Mental health services and services related to substance abuse are authorized under the federal Medicaid program as entitlement services, and include a federal matching payment, like the traditional Title IV-E program. Though there would appear to be a financial incentive to move such services to the Medicaid program to remove them from the budget neutrality requirement of the waiver, children in the foster care system typically are provided such services through state social services departments and may not have easy access to therapeutic services paid through the Medicaid system in spite of Medicaid eligibility.

Title IV-B

Title IV-B funds are authorized for use by states to provide adoption services and to provide for the training and effective use of paid paraprofessional staff. Nevertheless, waiver activities undertaken under State demonstration projects include Adoption Services and Enhanced Training for Child Welfare Staff, activities that are clearly authorized under Title IV-B. States are authorized to conduct a broad array of services under Title IV-B with limited funds. States undertaking adoption services and staff training programs under a child welfare demonstration appear to find their Title IV-B funds too limited to afford such services using strictly IV-B funds.

Temporary Assistance for Needy Families

The Temporary Assistance for Needy Families (TANF) program was created in 1996 to replace Aid to Families with Dependent Children (AFDC) and to provide a flexible block grant of funds to states for providing not only cash assistance, but also services to families such as child care and job training. There is some overlap in the services provided under child welfare demonstrations and services that could be provided under the TANF block grant. For example, California discontinued the Kinship Permanence component of its child welfare waiver when the statewide program Kin-GAP was implemented and funded through TANF savings.¹⁵ States are also currently able to use TANF funds to provide substance abuse services to caretakers, as well as services typically provided under Intensive Services Options (family counseling, parent training, and emergency assistance). The eligibility of families for services does not differ significantly under Title IV-E and TANF, therefore families qualifying for IV-E are likely to also qualify for TANF. States may be finding that competing priorities for TANF funds require that certain activities be provided through child welfare waivers rather than through TANF.

Social Services Block Grant

The Social Services Block Grant (SSBG) authorizes a broad array of activities, including those related to “preventing or remedying neglect, abuse, or exploitation of

¹⁵ Profiles of the Child Welfare Waiver Demonstration Projects, James Bell Associates, Inc.; page 1 (May, 2004).

children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families.”¹⁶ Under this broad authorization, states often provide services related to adoption and other child welfare-related services. Most activities related to child welfare demonstrations, as described here, would likely be eligible activities under SSBG. It is important to note, though, that this block grant has steadily declined from a peak of \$2.8 billion in annual funding, to its current level of \$1.7 billion per year, causing state social services programs to compete for less funds and encouraging states to look for alternate funding mechanisms such as Title IV-E.

Analysis

The most popular waiver activity analyzed above is in the area of assisted guardianship and kinship care. Low participation due to caseworker reluctance has made it difficult to measure outcomes in many of these waiver states. Nevertheless, Illinois’ waiver did demonstrate statistically significant findings when comparing permanency rates, suggesting that the availability of guardianship boosted net permanence by 6.1 percent. Satisfaction levels among families participating in the demonstrations appear to be positive where measured, and the evidence indicates that children have not been harmed by participation in these demonstrations. In addition, Illinois reported that the demonstration project not only was cost neutral, but actually generated savings when comparing the experimental group costs with costs associated with the control group. New Mexico’s evaluation specifically notes that the costs for youth in the demonstration group are about the same as for youth not in the demonstration, indicating at least an equal cost/benefit, and potentially a positive cost/benefit for the program. Post-adoption services, as provided in Maine, have insignificant child-level outcomes, but have shown statistically significant family-level outcomes (attachment to and trust of child).

Though adult substance abuse services can be made available under Medicaid and other federal programs, this is a popular waiver activity under Title IV-E. Statistically significant findings have been difficult to measure in some of the waiver states, primarily due to low participation. Measurable outcomes available in Illinois did not demonstrate significantly different outcomes for the control and experimental groups. New Hampshire’s program did demonstrate positive trends in its progress report for permanency and child well-being measures, though it is not clear whether they are statistically significant at this time. It appears that costly barriers existed in waiver states (lack of treatment programs, economic resources, trained counselors and caseworkers, staff turnover) that limited success of the program when implemented in a budget neutral context. It is not made clear in the evaluation why states did not use substance-abuse treatment resources available through their Medicaid and SCHIP programs to supplement waiver activities. The most positive aspect of this waiver activity is the increase in access to substance abuse services for parents of children in the child welfare system.

New Mexico’s demonstration program for Tribal administration of IV-E funds has had similar financial roadblocks. Limited placements in the project prevent data from leading to meaningful conclusions, though the evaluation highlights Tribal enthusiasm for the program. One particular barrier described is the lack of state matching funds to Tribes and Tribal social service programs to build the infrastructure necessary to appropriately access and administer IV-E funds.

¹⁶ Social Security Act § 2001(3)

Managed Care Payment Systems and Capped Allocations programs have faced similar fiscal and administrative roadblocks to success. Where participation in Managed Care Payment Systems was adequate to demonstrate measurable outcomes, agencies contracted to provide services in Maryland and Washington responded that payment was not adequate and Michigan reported that the project costs were higher than expected. A discontinued waiver project in Texas, called Permanency Achieved Through Coordinated Efforts (PACE), sought to pay a private primary contractor a standard monthly rate to manage the care of children with therapeutic needs, ages 0 to 18, and their siblings.¹⁷ It was discontinued due to a number of problems, including an unexpectedly large caseload, insufficient funding and inadequate planning - financial issues were at the heart of the project's failure.¹⁸ Similarly, Oregon cited the largest hindrance in its Capped Allocation demonstration to be the cost neutrality requirement, and stated that many innovative services had to be curtailed or shifted to other funding sources. Indiana found that the greatest impact of its Capped Allocation demonstration was found in counties with the most intensive services, which indicates greater spending to provide more services.

Recommended Targeted Reforms That Could Make a Difference

Though evaluations of waiver activities do not support sweeping reforms of the child welfare system, they do raise targeted policy options that could benefit state child welfare programs:

- **Allow subsidized guardianship as payment option through Title IV-E:** There was much enthusiasm in states for assisted guardianship and kinship care. This is the only waiver activity that demonstrated success within the context of budget neutrality, and even with proven savings in Illinois. Recognizing non-licensed kinship homes for reimbursement under Title IV-E would allow all states to reap the benefit of these programs.
- **Adequately fund existing programs:** As noted above, federal programs such as TANF and SSBG already provide the authorities for states to conduct many waiver activities. Unfortunately, funding for TANF has been level since 1996, and funding for SSBG has actually decreased in recent years. Adequate funding may allow states to use these programs for child well-being activities currently provided under child welfare waivers.
- **Explicitly authorize mental health and rehabilitative services for the child welfare population under Medicaid and SCHIP:** Foster care placement instability has been associated with increased mental health costs during the first year in foster care, particularly among children with increasing general health care costs.¹⁹ Fifteen of the twenty-five child welfare waivers utilized Title IV-E funding for behavioral health services, including substance abuse, despite authorization of such services under Medicaid and/or SCHIP. Children whose

¹⁷ http://www.researchforum.org/project_printable_220.html

¹⁸ Texas Department of Protective and Regulatory Services, *Evaluation for Project PACE: Final Report*, Austin, Texas, February 2002, p. 68.

¹⁹ PEDIATRICS Vol. 113 No. 5 May 2004, pp. 1336-1341

foster care is federally reimbursed have been automatically eligible for Medicaid since 1980.²⁰ Nevertheless, behavioral and mental health services for foster children are often purchased by state child welfare agencies under other capped federal programs, such as Title IV-B, TANF or SSBG, or with a Title IV-E waiver. Policy-makers should focus on why states are not already providing these services under Medicaid and/or SCHIP, and consider inserting more explicit statutory language to encourage states to provide mental and behavioral health and rehabilitative services under their existing Medicaid and SCHIP programs.

²⁰ MaryLee Allen and Mary Bissell, *Safety and Stability for Foster Children: The Policy Context*, Vol. 14 The Future of Children No. 1, at 59 (December, 2003).