

Lost Savings

Status of potential savings from reduced use of group homes and foster care

Executive Summary

Despite reduced placements of children in family-based and institutional care, the Department of Human Resources has seen increased foster care expenditures rather than substantial savings. The difference between potential savings and actual costs is \$35 million. There are no clear reasons for why this happened. The savings could have paid for services to families trying to keep their children safely at home or to retain family foster homes. To ensure that savings are not lost in the future, the Department needs to target funding for services to families and foster families and develop implementation plans for reducing out-of-home placements and group home use.

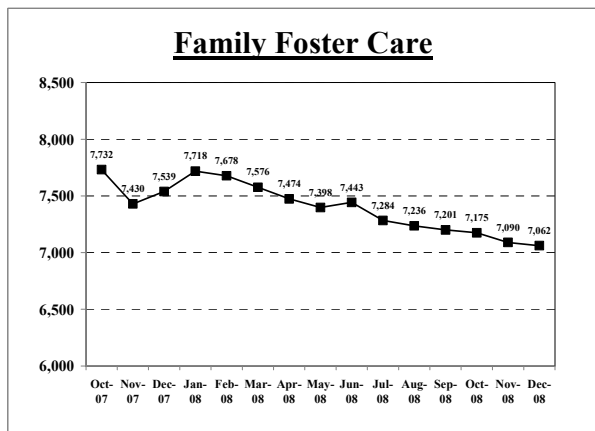
Background

According to data reported by the Department of Human Resources, there was a significant drop between October 2007 and December 2008 in the number of children in both family-based and institutional foster care. This should have resulted in a substantial financial savings.

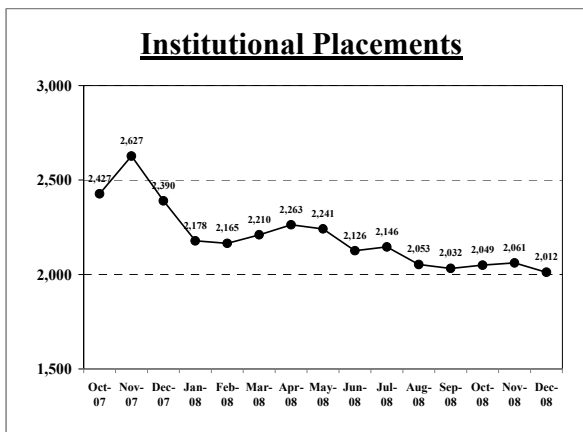
Analysis

Change In Out-of-Home Placements

As shown in the chart below, between October 2007 and December 2008, the number of children in family-based foster care decreased by 670 children, from 7,732 to 7,062.



During this same time period, the number of children in institutional placements decreased by 451, from 2,427 to 2,012.¹



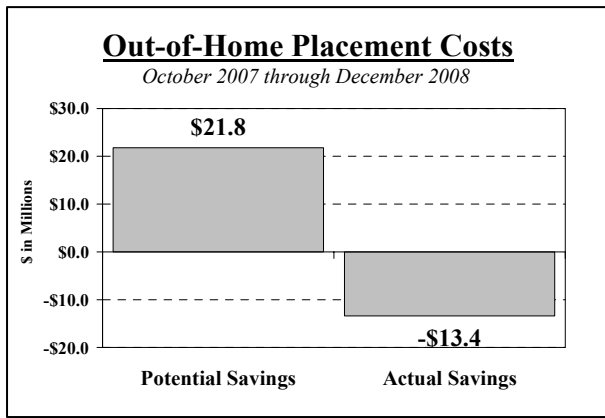
Cost Savings: Estimated v. Actual

Based on these placement drops, the Department should have saved \$21.8 million during the period. In fact, the Department spent an extra \$13.4 million on foster care, as reflected below. This is a discrepancy of about \$35 million.²

¹ Department of Human Resources, StateStat data. The Department says the pre-October data is inaccurate.

² ACY used an average monthly cost of \$835 for formal kinship care, relative foster care, trial visits and subsidized adoption. Regular foster care includes family foster homes as well as intermediate foster care and emergency foster care, so ACY applied a monthly cost of \$1,150. "Other" placements were assumed to have a monthly cost equal to group care, and independent living placements were assumed to cost \$1,800 per month. Actual cost from October 2007 to December 2008 was calculated by adding two thirds of the increase in foster care payments from FY 2007 to FY 2008 (October 2007 through the end of FY 2008 represents two thirds of the entire year) to one half of the increase from FY 2008 to FY 2009, including the FY 2009 deficiency (July 2008 through December 2008 represents one of FY 2009).

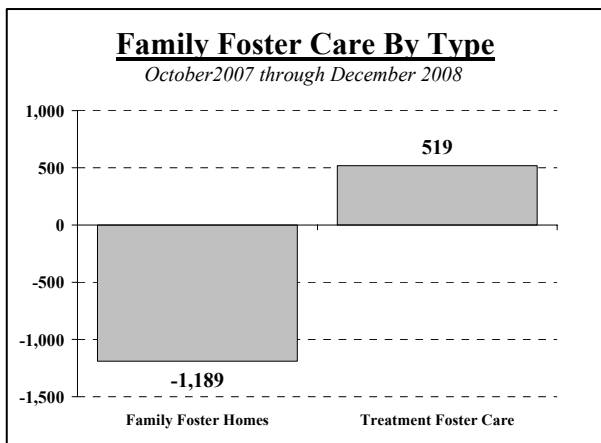




Possible Explanations

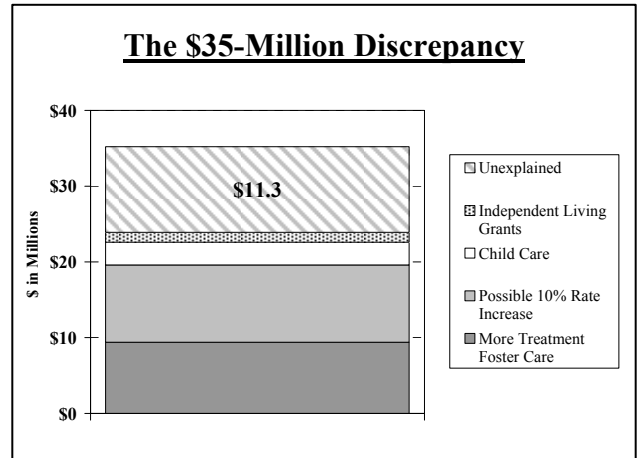
One possible explanation for the difference between anticipated and actual costs is a change in type of family-based foster care placements. Regular family foster care costs about \$885 per month. However, treatment foster care, which includes additional services, costs about \$3,600 per month. The data published by the Department does not distinguish between these types; however, Advocates for Children and Youth secured this information through a Public Information Act request.

As shown below, while placements in regular foster families dropped by 1,189, the number of children in treatment foster care increased by 519 children. The increased use of treatment foster care cost at least \$9.4 million.



The Department may also have increased monthly rates for treatment foster homes and institutional providers. A 10-percent rate increase would have cost \$10.2 million. The Department spent \$3 million in child care for children living in foster care, plus \$1.3 million in increase grants for the Independent

Living Program.³ Even taking into account all of these actual and possible explanations, there is still \$11.3 million unaccounted for, as reflected below.



Discussion

It is not clear why such a large increase in treatment foster care placements occurred. Some of the children leaving group homes may have ended up in treatment foster homes, but not all. If the Department increased provider rates, it is not clear why it did so. Group homes were competing for fewer placements. To increase treatment foster care rates significantly would have encouraged many regular family foster homes to convert. Finally, there is the unaccounted-for money, at least \$11 million.

Most importantly, the lack of savings has meant that the Department did not have the resources to increase support for family foster homes or expand services for families that keep their children.

Recommendations

1. The Department of Human Resources needs to target funds for support of families and family foster homes so that they receive priority.
2. The Department needs to develop implementation plans, with budgets, for its efforts to reduce out-of-home placements and group home use, and provide regular progress reports with financial updates.
3. The Department needs to examine its use of therapeutic foster homes.

³ Department of Legislative Services, *Analysis of the FY 2010 Maryland Executive Budget, Social Services Administration*, at p. 9.