CHAPTER 2

Stipends for foster care are arbitrarily set, inconsistent, and do not support DFS' need for more foster families

Chapter summary

Most family foster homes are DFS-certified, but private child placing agencies (CPAs) also certify their own foster homes to care for children in DFS custody. DFS-certified foster parents receive monthly stipends; however, the base amount is low, does not cover the actual costs of fostering a child, and the agency's payment methods allow for inequities in stipend levels. CPA-certified families also receive stipends, some of which are higher than DFS pays its own families.

Although DFS funds both, foster care stipends vary for DFS and CPA certified foster families.

In essence, DFS has a piecemeal approach to foster family payments: most DFS-certified families receive stipends of $400 per month per child, but some receive $650 (the specialized foster care rate) or more, even though the children for whom this rate is paid are not always categorized as needing special care. CPA stipends range from $400 to $800, but DFS' payment system does not track the reasons for this range in rates. CPAs also receive DFS payments for administrative costs and these amounts, too, vary by agency.

Rates that DFS offices around the state pay their foster families are influenced by local interpretations of agency policy; CPA rates are based on historical agreements. In neither instance has DFS established a uniform payment system based on actual costs incurred, difficulty of duties performed, or the children's unique needs. Consequently, stipends for both DFS and CPA foster families vary across the state. Overall, we found little order or logic to the amounts families and CPAs receive; further, the differences between them are exacerbated by variations in locally-approved add-ons such as transportation and day care.

Variations in local payment approval practices compound the differences.

Due to these inconsistencies, DFS is not making optimal use of its foster care funding. Stipends above the base amount, if made without supporting justification, deplete the agency's budget and may therefore undermine its ability to recruit and retain foster families. DFS needs to restructure its foster parent payment system to use funds strategically for recruitment and retention of families, especially for those who will take hard-to-place children.

Stipends are meant to cover the cost of providing for the needs of foster children

Foster children's needs extend far beyond the cost of room and board.

Instead of a salary, foster families receive stipends intended to cover the child's share of rent, food, utilities, education expenses, personal supplies, sporting and extra curricular expenses, and allowances. DFS policy allows for an additional $250 lifetime clothing allowance per child. Most foster children are eligible for Medicaid, with the Department of Health covering the children's medical, dental, and psychological expenses through that program.

DFS pays a range of rates for foster care

CPAs negotiate their rates individually.

DFS has two sources of foster families: one is the pool of families recruited by DFS districts and offices; these families receive monthly stipends directly from DFS. The other is a group of nine private CPAs in various locations throughout the state; each of these agencies recruits, trains, supervises, and reimburses its own foster families. Each CPA also negotiated its rate individually with either the DFS state office or a district manager. The rates are not constant among CPAs and are higher than DFS rates, in part because they cover CPA administrative costs as well as foster family stipends. CPAs care for a small portion (about seven percent) of the children in foster care, but account for almost one-quarter of the stipend dollars paid.

DFS Stipends: DFS-certified families receive a base stipend of $400 per child per month. DFS pays extra to families that provide specialized foster care: these families receive $400 per month (base rate) plus, with field manager approval, an additional $250, for a total of $650; higher amounts can be approved as well.[1] In practice, DFS pays its certified families from $400 to, in one case, $3,000 per child per month. Our review showed that families caring for 69 percent of foster children in DFS-certified

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[1] Stipends above $650 per month can be approved by the regional manager; stipends above $800 a month can be approved by the DFS director.

homes received the basic $400 stipend per child; families caring for the remaining 31 percent received higher specialized care rates.

DFS pays CPAs a flat rate for each child in its care.

CPA Stipends: DFS pays CPAs a flat rate (unique to each agency) for the foster children in their families' care. Our review of December 2004 placements showed DFS payments to CPAs ranging from $650 to $2,400 per child per month. From that amount, CPAs paid their families stipends of between $400 and $800 per child per month. Some of these children may have special needs, although this information is not fully captured in DFS' payment system. The remainder of the per-child payment to these providers, from $250 to $1,600, is for the CPAs' administrative costs (see Appendix D), with some CPAs submitting additional claims for add-ons.

Fewer CPAs are offering foster care services

Two CPAs recently stopped providing foster care. The first, Casey Family Services, has refocused its efforts nationally from direct provision of long-term foster care services to overall system improvement. While Casey's direct care program is being phased out, DFS pays the agency $400 per child, and Casey then adds additional amounts from its own budget to families' stipends.

Before withdrawing, LifeNet handled all DFS foster care duties in two counties.

During the course of this study, a second CPA, LifeNet, withdrew from providing foster care. While other CPAs run parallel to DFS foster care and are a supplemental resource through which DFS can obtain foster families, LifeNet was unique. It completely replaced DFS in providing foster care-related services in two counties, Goshen and Converse. In essence, DFS sub-contracted foster care responsibilities to LifeNet, making it responsible for arranging and maintaining foster care for any child from those counties needing this care. LifeNet was one of the least expensive of the CPAs providing foster care, and according to DFS staff, withdrew because its rate was not sufficient to cover increases in the cost of liability insurance.

Stipends for DFS-certified families have not

kept up with increases in the cost of living

DFS stipends have remained the same since the 1980s.

The base stipend level for DFS-certified families has been $400 per month for as long as anyone currently at the agency can remember. The amount has not been adjusted for inflation and does not, according to foster parents and DFS staff, cover the costs of a foster child's basic needs. To equal the buying power of a $400 stipend in 1985, 2005 stipends would need to be $722.68. In addition, USDA studies have found that the costs of raising a child increase as the child ages, and that child-raising costs are generally higher in rural than in urban areas (see Figure 3.1).

Figure 3.1

Estimated monthly cost of raising a child in a rural area
By age group, Year 2000

Age Group	Estimated Monthly Cost
0-2	$683
9-11	$708
15-17	$785

Source: USDA Expenditures on Children by Families, 2000 Annual Report

Another factor in setting rates is that foster children can be more expensive to care for than the average child. Most come from abusive and neglectful families, and we heard from foster parents and DFS staff alike that once neglected children start eating regularly and well, they tend to eat more than other kids their age and outgrow clothes rapidly. We heard variation after variation of "the foster families are subsidizing DFS" theme.

A recent increase applies only to some foster families.

Beginning July 1, 2005, DFS added an additional $100 per month per home to its stipend only for tobacco-free DFS-certified foster families receiving the $400 per month rate. While representing an increase for those families, it does not fully cover the purchasing power lost over twenty years. In addition, this increase in the stipend comes from additional General Fund appropriations and is the only increase DFS has requested of the Legislature in more than a decade.

Stipend amounts are not performance or outcome based

DFS does not use a standardized assessment to guide districts in rate-setting. Differences in stipend levels depend on whether DFS itself or a CPA has recruited and certified a foster family, rather than varying according to the needs of the child, the cost of living in the area, the value of the service the family is providing, or other more objective criteria.

DFS and CPA foster families are equally qualified.

CPA providers, DFS staff, and foster parents told us there is no real difference in the quality or abilities of DFS- and CPA-certified families, nor is there any apparent difference in the foster children's long-term outcomes. Nevertheless, some foster parents caring for children in DFS custody are paid at a higher rate than others for providing a similar service to the state.

Stipend inequities are exacerbated by variations in add-ons and local practices

Stipends are not all-inclusive: DFS also covers the cost of services for children in foster care such as transportation, respite, day treatment, and certain other costs. These "add-ons" to the base rate are submitted by individual DFS caseworkers, approved by supervisors, and paid by the state office.

Districts vary in their approaches to approving add-on services.

The range of acceptable add-ons for both DFS-certified families and CPAs is wide and varies among districts. For example, our review of foster care-related payments showed that DFS families in some districts are reimbursed for foster children's clothing costs in excess of the maximum of $250. In some, families are reimbursed for a child's clothing in the amount of $250 *each year*, and in others the $250 is allowed with *each new placement*, while some districts strictly adhere to the $250 *lifetime limit*. DFS does not have a policy granting incentives to families that take siblings, but we found some DFS foster parents are receiving $250 to $400 per sibling per month in addition to their base stipends. Similarly, some districts cover the cost of day care for foster parents who work outside the home, while others do not.

DFS pays higher rates for specialized foster care for some children not categorized as such in WYCAPS

Higher rates for specialized care acknowledge the greater demands for training and involvement that some children make on foster families. This category of care is meant for children who have physical and/or psychological needs that require extra attention but not institutionalization.[2]

"Specialized foster care" is poorly defined.

However, "specialized foster care" is poorly defined in DFS procedures, leaving rate-setting for this category of care open to local interpretation. Although WYCAPS requires justification for using this payment category, this information is often not recorded in WYCAPS. Foster parents for 97 of the children in foster care on 12/18/04 were paid a specialized (higher) rate, but only 43 of those children were categorized in WYCAPS as specialized foster care cases. Statewide, the number of foster parents who were receiving specialized rates was consistently twice as high as the number of children categorized in WYCAPS as needing specialized care. DFS needs to make greater effort to ensure that caseworkers are recording this information in WYCAPS; this will aid the agency in determining whether it has a documentation issue or a more serious systemic problem.

Payments for "specialized" rates were not consistently supported in WYCAPS.

We found inequities in DFS stipends for children who were not categorized as specialized, but for whom invoice data indicated specialized care payments were made because of the child's age. Stipends in these cases ranged from $500 to $1,750. Another subset of foster families received specialized stipends for caring for children with a "medical condition." These rates ranged from $650 to $3,000, with no further specification of the differences. Again, documentation needs to improve.

DFS is not using stipends strategically to recruit or retain foster families

An inability to attract and retain enough foster families (discussed in Chapter 3) impacts not only the type of children that can be placed in foster care, but also how much money DFS must spend

[2] According to DFS procedures, special needs must be documented in WYCAPS and foster parents caring for these children are required to have additional training and experience.

on other levels of out-of-home care. Although monetary compensation is far from the entire reason foster families choose to participate, incentives or additional stipends can be used strategically to recruit and retain families, especially for hard-to-place children. However, given the unexplained variations in stipends for DFS- and CPA-certified foster families, it is not clear that DFS is using stipends in this way.

Low stipends may undermine DFS' ability to recruit and retain foster families

Stipend levels may prevent low income families from participating.

According to professional literature, payment amounts that cover the full cost of fostering are critical to retaining foster families. By this reasoning, too-low stipends may be undermining DFS' ability to recruit and retain foster families. In particular, low rates may preclude lower income families from becoming or remaining foster parents because they cannot afford the additional out-of-pocket costs associated with foster care.

In one district where there is a highly-paid CPA presence, DFS cannot compete in recruiting families and must, therefore, place foster children with that CPA. By mutual agreement in this district, DFS is to refer only those foster children with specialized care needs to the local CPA. However, when no lower-cost DFS homes are available, this district places children without special needs through that CPA. In these circumstances, children become specialized foster care cases by virtue of the mechanics of their placement, rather than their personal characteristics and need for specialized care.

Lacking foster care for teens, DFS uses other more expensive options

Too few foster families may lead to children being placed in more expensive levels of care.

Although it is only speculation because DFS does not regularly track this information, several staff we interviewed knew of teens placed in group homes and residential treatment centers (RTCs) because no foster families were available. These options are considerably more expensive than family foster care at $400 per month: group home rates are up to $2,325 per month, and RTC rates range from $2,945 to $6,820 per month.

When foster homes

We reviewed WYCAPS data for 67 children over the age of 10 in group homes or RTCs on 12/18/04. These children were child

are not available, older children may be placed in too- restrictive placements.

protection cases but did not have a record in WYCAPS indicating special treatment needs that would require them to be in higher-level placements. While we cannot say with certainty that any of them were placed inappropriately, anecdotal information and interviews from a recent program evaluation suggest that some older children are placed in too-restrictive placements, at higher cost than necessary, because foster homes are not available.

Higher stipends paid to some CPA families may offer guidance on strategic use of funds

Generally, CPAs pay their foster families higher stipends than DFS. Nonetheless, these rates are still not based on what it costs their families to care for foster children. Even though CPAs historically focused on children with special needs, which is the very reason many were first established, at present they also care for non-special needs children. Since they receive higher stipends for these children too, the greater amounts paid to CPA foster families are not directly connected only to special needs children.

Some districts find ways to pay higher stipends for teen foster care.

However, teens, particularly boys, have been difficult to place with foster families. Our analysis of WYCAPS data shows that fortuitously, this gap is filled in certain areas of the state by virtue of two circumstances. First, a disproportionate number of the teens in foster care are placed with some of the higher-paying CPAs. Second, almost half of the specialized rate stipends to DFS-certified, non-relative foster families were for older children. Thus, while not specifically directed by DFS policy, it appears that paying higher stipends may provide additional incentive for some families to take these more difficult children.

DFS now requires central approval of rate changes

DFS recently took steps to begin correcting these inequities in payments. As of March 2005, all new service and rate requests are reviewed by DFS' Financial Services Division, and later in 2005, the Department will begin developing outcomes-based contracting specifically for CPAs.

DFS needs to establish a payment system that delivers fair and

DFS needs to use its foster care funds strategically.

equitable compensation for this essential, and relatively inexpensive, service to the state. The restructuring should allow funds to be used strategically to recruit and retain foster families, particularly those who will take hard-to-place children. Further, until this system is established, we believe it may be premature to consider moving forward with expanding the role of CPAs, as DFS discussed during the course of this study.

Recommendation: DFS should develop a foster care payment methodology based on updated costs of caring for children of different ages and needs, and apply it consistently.

Payment practices need to be applied fairly to DFS and CPA certified families.

Family foster care is much less expensive than other out-of-home placements, while providing an environment more conducive to the state's goals for abused and neglected children. Thus, it makes sense for DFS to develop a payment system that will support efforts to recruit and retain an adequate number of foster families. The lack of both documentation and consistency in payment amounts that we found shows wide variations in how agency dollars are used, rather than reflecting the planned and controlled approach that agency officials have claimed. DFS needs to develop a more flexible and fair system for paying foster parents, both the families it certifies and CPA foster families.

Some CPAs that successfully recruit families willing to take teens are paying their families at a higher rate than DFS pays its families. Those rates, and the specialized rates that some DFS-certified families are offered to accept teens, provide a starting point in determining how to use stipends strategically to meet specific kinds of foster family shortages.

DFS needs to ensure CPAs provide

Once a system of reasonable rates is established, it should be applied uniformly across the state: if a family provides a service to the state, payments need to be consistent and not subject to undocumented and possibly unjustified local variation and interpretation. Furthermore, when contracting with CPAs for

services which its own caseworkers cannot.

services in the future, DFS needs to ensure that a CPA is providing services that DFS itself cannot provide.

In the short run, realistic stipend levels and strategic use of funds to recruit and retain more foster families may raise program costs. However, this increase in cost may be offset over the long-term, as children who can be cared for in foster homes are less likely to be placed in more expensive and more restrictive settings.