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# When Child Welfare Works: A Working Paper

A Proposal to Finance Best Practices

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THE ANNIE E. CASEY FOUNDATION



JIM CASEY  
YOUTH OPPORTUNITIES  
INITIATIVE

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## The Charge

Through the collective work of committed advocates, policymakers and child welfare professionals, the United States has made notable progress in improving its child welfare system over the past decade. As described below, multiple laws have been passed; new programs have been developed, evaluated and implemented across the system; a focus on early intervention and permanency has contributed to a decrease in the numbers of children in foster care; and the overall length of time children remain in care has been shortened. Despite this progress, more work remains. Complicating the prospects for further progress is an arcane federal financing structure that fails to support or provide incentives for the best practices we now know are essential to improve the well-being of children. Comprehensive child welfare financing reform has been a central focus of policy discussions for many years, but even good proposals to date have been unable to gain traction.

However, a confluence of issues indicates that the time to act is now. Without action, systemic problems will only worsen, perpetuating inefficiencies in the system and denying children and families better opportunities to succeed. States receive federal reimbursement for fewer children in foster care each year. In addition, threats to key federal funding sources upon which state child welfare agencies rely make the potential impact of not passing comprehensive finance reform far worse than living with the unacceptable status quo. Until federal financing and desired goals are better aligned, sustained progress on improving outcomes for vulnerable children and families will remain difficult for states to achieve.

## About this Proposal: Advancing Best Practices through Federal Financing Incentives

Since its establishment in 1948, the Annie E. Casey Foundation has supported a diverse range of efforts designed to build better futures for millions of children at risk of poor educational, economic, social and health outcomes. For more than 20 years, through grant making and partnering with public systems on reform efforts, the Foundation has been supporting communities in ensuring that all children achieve the best outcomes possible and have lifelong connections to a caring, nurturing family. In 2001, the Jim Casey Youth Opportunities Initiative was created to ensure that young people — primarily those between ages 14 and 25 — make successful transitions from foster care to adulthood. Its work creates opportunities for young people to achieve positive outcomes in permanence, education, employment, housing, health, financial capability and social capital. The organization does this by working nationally, in states and locally to improve policies and practices, promote youth engagement, apply evaluation and research and create community partnerships.

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The work of our two organizations is guided by a shared vision. First and foremost, all children need family. Removing children from their parents' care should only be considered as a last resort when all reasonable efforts have been made to support parents to safely care for their children. If children cannot be safely cared for by their own parents even after supports have been provided, then child welfare agencies must find alternative families to care for such children. We believe that for the majority of such children, the best alternative family is their own extended family — relatives or other kin who have an existing bond and can offer safe and loving care. Finally, because all children deserve lifelong family connections, foster care should only be used as a temporary, emergency intervention. Child welfare agencies must have a sense of urgency to address the parental challenges that led to removal or to find a stable and permanent alternative family.

Through our hands-on work, we have also gained keen insights about policies and practices that effectively support vulnerable children, youth and families and achieve positive outcomes. For example, we believe child welfare agencies should use strong practice models that emphasize active family and youth involvement in decision making and focus on permanence. We also believe that child welfare agencies perform best when the work is done by staff with expertise in child abuse and neglect. This requires skilled, well-trained staff with good supervision, manageable caseloads and strong quality assurance mechanisms to assure continuous learning. Our experience also indicates that a wide variety of in-home supportive services, with evidence of effectiveness, must be available to prevent the need for placement and support reunification. Finally, we know that children and families of color are disproportionately represented in our nation's child welfare system, and it is incumbent on system leaders to assess and address the underlying causes.

The lessons learned through our work with public systems, as well as years of rigorous research and analysis, have led us to recognize that the current federal child welfare financing system does not incent best practices in support of vulnerable children and families. Based on this knowledge, we have developed a policy framework and targeted recommendations that encourage best practices so that all children and families can address challenges and achieve the permanency, safety and well-being they need to succeed. This proposed strategic realignment of the Title IV-E reimbursement system and other federal financing sources would promote best practices in four key areas:

- 1) **Permanence and well-being**, including reduced reliance on shelter and group care and time limits on foster care.
- 2) **Quality family foster care**, resulting from improvements to kinship licensing, targeted foster family recruitment to care for teens and better support for foster families.

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- 3) **Capable, supported child welfare workforce**, improvements achieved by supporting training and skill development, encouraging solid casework and family engagement, reducing administrative burden and improving workforce retention.
- 4) **Better access to services**, with a focus on increased access to and accountability for social and therapeutic services.

We've crafted these recommendations to reflect key principles that policymakers and others have long held to be essential elements of comprehensive reform: accountability for outcomes; innovation and flexibility that promote efficiency and implementation of best practices; and targeted uses of federal fiscal incentives to facilitate positive outcomes. In addition, by judiciously reallocating existing resources, this proposal offers a fiscally responsible and viable framework to achieve systemic reform with level federal funding, making it a practical proposal for today's policymaking climate. However, achieving the vision for improved outcomes relies on careful attention to the balancing and sequencing of the cuts and new investments outlined in the proposal. In most cases, the need for investments must occur simultaneously, or even precede, the reduction in other funding.

### The Child Welfare Policy Landscape

Federal policymaking and efforts by countless state agency leaders and staff have led to significant improvements in recent years in how child welfare systems respond to the diverse and changing needs of vulnerable children and families. Through new and improved policies, and the use of financial incentives and greater flexibility, federal and state governments together have spurred progress. Policy improvements have been primarily focused on:

- Keeping children safe and connected to families, including siblings, relative caregivers, adoptive and birth families;
- Promoting the well-being of all children involved in child welfare by attending to their age and developmental needs, addressing their physical, social adjustment and mental health issues and ensuring better educational opportunities; and
- Improving the delivery of critical services to children, including those that improve the coordination of different systems.

At the federal level, these goals have been key cornerstones of the bipartisan legislative accomplishments of the past 15 years. Notable examples include the promotion of permanency by the Adoption and Safe Families Act of 1997; the clear emphasis on family connections and well-being in the landmark Fostering Connections to Success and Increasing Adoptions Act of 2008; and further emphasis on permanency and well-being in the Child and Family Services Improvement and Innovations Act of 2011. Other legislative efforts have moved the field forward by facilitating the delivery of critical services. For example, data-sharing concerns addressed by

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the recently enacted Uninterrupted Scholars Act will enable child welfare staff to access educational records in a timely way, helping to promote positive educational outcomes for youth in foster care. The Affordable Care Act closed a major health care coverage gap by requiring Medicaid to offer health services to youth who age out of foster care through age 26. And an historic milestone was achieved when Congress removed long-standing barriers that prevented federally-recognized Native American tribes from accessing federal funds to operate their own child welfare systems, paving the way for improved well-being of Native American children and families.

Despite these improvements, there has been and remains bipartisan agreement that the federal financing structure for child welfare is inefficient, ineffective and incongruous with what we know about best practice. Numerous Congressional proposals have been introduced by members of both parties, yet comprehensive child welfare financing reform has remained out of reach. Why, then, should we expect prospects for reform to be better today with our nation's economy still recovering from a prolonged recession and partisan tensions on Capitol Hill running high? First, efforts to improve child welfare have historically enjoyed a tremendous amount of bipartisan agreement. All of the federal legislative victories noted above not only passed with bipartisan support, they passed with unanimous consent. Second, there is an emerging consensus that the time to act is now. Threats to key federal funding sources upon which child welfare agencies rely make the cost of doing nothing far greater than ever before. Kicking the can down the road does not mean we will continue with the flawed status quo, as bad that might be; it means that child welfare agencies will have even less support to meet the needs of children and families.

### More Work to Be Done

Despite significant gains, there is no question that much work remains. State agencies invest valuable time and effort implementing new federal policies, but their progress has been inconsistent and constrained by structural financing challenges. As a result, too many families are disrupted and too many children *still* wait far too long for a safe, permanent family of their own. Some will never get the lifelong support that a family offers.

- On average, children in foster care today have already spent an average of two years separated from their families without a permanent solution. Half of those ages 13-21 have been in care for more than 3.5 years.
- More than 1 in 10 children will experience five or more placements during their time in foster care with overwhelming evidence that such instability negatively affects their well-being.
- One in 7 children (1 in 3 teens) in foster care live in non-family settings, often not because of anything they have done or to meet their special needs, but simply because the system has failed to connect them with a family.

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- Too often foster parents feel unsupported in their efforts and quit early on, citing frustrations not so much from the demands of parenting but from lack of agency support, poor communication with caseworkers and lack of say in the decision making over the child's future opportunities. Some studies show that about one-fifth of the foster parent population provides approximately 60 to 80 percent of all foster parenting services, underscoring the urgent need to address the systemic shortcomings that contribute to the loss of valuable family partnerships.
- Child welfare systems face chronic challenges in recruiting, maintaining and training the qualified workforce needed to respond to more than 3 million reports of abuse and neglect each year, and to effectively provide the wide array of services that maltreated children and at-risk families need.
- The limited expertise of child protection investigative staff results in too many children being removed from home without cause, while others are left unsafe at home. The percentage of children who return home within 30 days of being removed varies across states from 11 to 48 percent.
- Kinship placement for children in foster care remains underutilized in many states, even though federal and state policies clearly recognize that such placements are preferable and require that workers first consider relatives when placing a child.
- More than 102,000 children in foster care are waiting to be adopted. Nearly 40 percent will wait longer than three years even though studies find many families willing to adopt.
- More than 23,000 youth age out of foster care each year. Compared to their peers, they are less likely to have a high school diploma, less likely to earn a living wage, more likely to have a child out of wedlock and more likely to become involved in the criminal justice system.
- At every point in the child welfare system, children and families of color are disproportionately affected. For example, African American and Native American children are more likely than their counterparts to be removed from their families and placed in foster care. They are more likely to remain in care longer and less likely to exit foster care through reunification or other forms of permanency.

These statistics are sobering, and they highlight the urgent challenges facing child welfare systems today. Better outcomes are needed throughout the child welfare system and we must invest in approaches that simultaneously improve family foster care while also reducing the need for children to be placed outside their homes. Any proposal that will have a chance at tipping the scales will require a comprehensive set of reforms to address systemic barriers. Moreover, the target of any proposal must be system reforms which will yield better and more sustained results than any targeted programmatic intervention.

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### We Can Do Better: An Urgent Need for Action

Some state agencies have prioritized system change and are making notable progress toward achieving better outcomes for children and families, but most are mired in the daily challenges of administering a complex system and without the benefit of sustained or consistent leadership or the capacity to tackle the complexities of system reform. Ongoing budget constraints and uncertainties limit the ability of agency leaders to get support for new policy and practice initiatives.

Child welfare's mission of protecting children and promoting strong families has long been managed as a federal-state partnership, with shared governance and funding. Leading child welfare experts agree that additional federal policy changes — namely those that better align federal financing rules with desired outcomes — are urgently needed to drive systemic reforms, promote best practice, spur innovation and hold states accountable for better outcomes for children. Greater flexibility for states in determining how federal investments can be best utilized is needed, yet flexibility alone is not sufficient. States already pay the majority of the cost of protecting children from abuse and neglect and should continue to be able to use these funds flexibly. Limited federal funds are designed to help defray the costs incurred by states, but can also be used to encourage state investments that support best practice. Greater investments in children and families may be warranted, yet we should start by reallocating existing federal funds to better target and promote the best practices we know lead to better outcomes for children and families.

### Recommendations to Promote Permanence and Well-Being of Children and Families

Foster care is designed to be a short-term safety net for children who have been removed from their homes due to abuse or neglect, but too many children end up staying in foster care long term — experiencing multiple moves, often being separated from siblings and never connecting with a permanent family. Thousands of youth, typically at age 18, age out of foster care each year and face the daunting transition to adulthood without the support of a family.

Federal law already states that children should be placed in the least restrictive setting possible, yet nearly 15 percent of all children in foster care live in a residential group setting, and the percentage is significantly higher for older youth. Most experts agree that far too many children are placed and too often “grow up” in residential group care, not because such placements are necessary for treatment purposes, but because workers feel there is no other place for these children to go. Group care often impedes opportunities for permanency for children of all ages. It also creates barriers that prevent youth from having normal and healthy adolescent experiences, such as holding a part-time job, building healthy relationships and participating in extracurricular activities. A key solution is to ensure that children and youth are given every opportunity to live with and be cared for by a family. A few critical policy reforms can encourage greater use of

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family-based foster care and help ensure that group care is used exclusively as a short-term treatment intervention, not a place for children to live. Carefully enacted system disincentives can curtail long-term foster care, reduce the overreliance on group care and eliminate group care where it is inappropriate, such as for young children.

Our work with jurisdictions to reduce inappropriate placements in group care has taught us what is needed to successfully achieve these reforms on a systemic level. Simultaneous investments to increase the capacity and quality of family foster care (discussed below) are critical. Without such investments, simply changing the type of children's placement settings may not lead to either increased permanency or improved well-being. In addition, our experience and that of leading service providers suggests that the vast majority of youth in foster care will not need residential treatment or will need only a very-short stay in residential care. However, we recognize that there may be a very small number of youth whose safety and well-being require extended residential stays.

To address existing barriers to permanency and promote well-being, federal law should:

- Limit the length of federal Title IV-E reimbursement eligibility for foster care for any child under the age of majority, typically age 18, to no more than 36 total months in a child's lifetime. This change would reinforce that foster care is meant to be a temporary safety net, not a place to grow up. Children receiving Title IV-E reimbursement for adoption and guardianship assistance would be excluded from this policy, as well as youth who are in foster care beyond age 18. Current federal policy that provides incentives to states to extend assistance to youth who are transitioning to adulthood (ages 18-21) has important cost benefits and is critical to improving permanency and well-being outcomes for a particularly vulnerable group of children.
- Eliminate federal Title IV-E reimbursement for group care for children under age 13 (with an exception for children placed in the same home with their older siblings), to ensure that younger children, including infants and toddlers, experience the support, sense of belonging and other benefits that come from being in a family.
- Limit the length of federal Title IV-E reimbursement eligibility for residential treatment settings to no more than 12 months total for children ages 13 or older to ensure that more children are placed with relatives or other family-based settings. Although exceptions could be made for the very small number of youth who may require longer residential stays, limiting federal funding for such care will help ensure that these placements remain the exception.
- To ease transitions due to the above proposed policy shifts, the clock for children already in care should not start until policy changes are enacted. In addition, reimbursement changes could be phased in or graduated over a period of time. This could ensure that states have the time to make the needed investments to improve family foster care and the child welfare workforce described below.

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- Define treatment outside the home for less than 90 days as emergency care and not a placement and allow foster parents to continue receiving payments (reimbursable under Title IV-E) during this period as long as they remain active in a child's treatment and the plan is for the child to return the care of the foster parents.
- Eliminate federal Title IV-E reimbursement for shelter care, a setting that is widely recognized to be detrimental to the permanency and well-being goals of children in foster care.
- Support older youth in foster care to achieve financial security and incent youth still in care at 18 to remain in care until age 21, which is associated with better outcomes for transitioning youth who face multiple risks. Create a federally-funded Individual Development Account available to older youth in care that matches their savings at 100 percent up to the amount of the Adoption Tax Credit available for foster care adoptions. This program would promote skills necessary for building assets that will benefit youth as they transition to adulthood. Participation in the program would be available to youth who turn 16 while in state custody and who spend at least 15 months total in care, including both youth who turn 18 in foster care and those who achieve permanency after turning 16. Greater federal contributions could be made available to youth who voluntarily remain in foster care until the maximum age permitted in their state.

### Recommendations to Increase the Use of Quality Kinship and Family Foster Care

When children cannot remain at home, they still need and deserve a family to care for them. Children of all ages benefit from living in a family and experiencing supportive individualized parenting and a sense of belonging. Program innovation, research findings and direct input from youth and families served by child welfare tell us that supporting successful placements in family-based care is an important strategy for improving permanency opportunities and sustaining family connections. Placing foster children with relatives is the best option for keeping children connected to siblings and trusted family members. Federal policy explicitly gives preferences to relative placements and also provides federal financial assistance to relative foster parents who become guardians. When kin are not available, placements with non-related foster families are an important pathway to permanency. While many children achieve permanence with kin through arrangements such as subsidized guardianship, more than half of children adopted from foster care (55 percent) were adopted by a non-relative, with 4 out of 5 adopted by foster parents. Poor recruitment of family foster homes is a barrier to permanence, particularly for teens who are more likely than younger children to live in group care instead of with a foster family.

Aligning federal financing incentives with goals for increased use of quality family foster care also reflects what we know about protective factors for children, which is that the formation of bonds and attachment to caregivers is a key aspect of healthy childhood development and promotes resiliency. The proposed policy changes will help ensure foster parents are equipped with the

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necessary information and support they need to nurture the children in their care, many of whom are coping with prior trauma and require a level of consistency and competency from caring adults. Specialized training and counseling for foster parents as well as concrete financial supports enable them to focus on honing their parenting skills and building social and emotional competence of the children in their care. It is only through such investments that we can safely and effectively reduce the need for group care and ensure that children remain in foster care for the shortest period of time before achieving permanency.

To improve family foster care, federal law should:

- Require that states place all foster children in licensed homes or facilities as a condition for receiving any Title IV-E funds. Currently placement in a licensed home or facility is only a requirement for IV-E reimbursement for an individual child. This structural change will ensure that all families, particularly relative foster homes, have the financial support and access to training and services that are critical to their ability to ensure the safety, stability and well-being of children in their care.
- Allow states to establish different Title IV-E licensing standards for relatives and other kin seeking to care for a specific child or sibling group rather than a license to care for any child in state custody. These standards would allow for thoughtful matches of children with kinship foster families who can best meet their needs. In addition, allow states to establish emergency temporary licensing standards that provide 90 days of federal reimbursement for children placed with relatives and other kin before the foster home can be fully licensed.
- Improve the availability of qualified family foster homes by motivating states to prioritize foster family development and support through the use of dedicated workers. This is achieved by increasing the Title IV-E reimbursement rate from 50 to 75 percent for expenditures on foster-family-related activities. These costs would be reimbursed under the new Title IV-E Child Placement, Monitoring and Support program (see below). This change will strengthen and encourage the essential work of recruiting, training, licensing and supporting high-quality foster families.
- Increase the tax credit that foster parents may claim from \$1,000 to \$5,000 per child if they care for foster children for a minimum of six months during the tax year when the children in care are over age 12, are siblings or are children who have been difficult to place. Also require public child welfare agencies to inform foster parents about their rights regarding claiming a child as a dependent, including eligibility for the Child Tax Credit, Earned Income Tax Credit and Family Medical Leave Act protection. Concrete supports give foster parents the resources they need to carry out their parenting responsibilities and attend to the individual needs of the children in their care.

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### Recommendations to Ensure a Capable, Supported Child Welfare Workforce

Most child welfare systems face chronic challenges in recruiting, maintaining and training a qualified workforce to respond to the diverse needs of abused or neglected children and at-risk families. Numerous studies describe persistent workforce challenges that result in systemic inefficiencies: high rates of caseworker turnover, inexperienced front-line workers, insufficient training opportunities, inadequate supervision and overwhelming caseloads. Current federal reimbursement policies contribute to these chronic challenges by placing very little value on the child welfare workforce's skills and expertise needed to help children and families. Moreover, current disincentives impede the development and regular use of best practices among caseworkers and other child welfare professionals. For example, today's reimbursement system discourages efforts to develop and retain staff with expertise in conducting investigations into abuse and neglect. Investigative staff should have ample time with supervisors who can guide and coach them through complex decision-making processes, yet frontline staff often lack time and access to such support. Current reimbursement policies also discourage efforts of caseworkers to engage with and develop strong relationships with families and children. Establishing these relationships is critical to a caseworker's ability to help the family change the behaviors that caused the maltreatment or pose the risk of abuse or neglect.

The lack of alignment between federal financing policies and the recruitment, training or retention of a capable, high-performing workforce presents multiple barriers to achieving better outcomes in child welfare. Workforce activities requiring the least skills are often emphasized from a financing and practice standpoint, while the activities and skills that are most critical to making informed decisions about what families need are often de-emphasized. Systemic changes are needed to better support a skilled workforce, with a focus on the critical role that caseworkers play in supporting the permanency, safety and well-being of children and their families. Administrative aspects of case work often crowd out the time that caseworkers have to devote to helping families deal with the issues that brought them into the child welfare system. What's more, many of the caseworker activities that are essential to helping children and strengthening families (such as counseling parents, children and caregivers) are not eligible for federal reimbursement and therefore not common practice. To fulfill the broad mission of child welfare agencies, we must remove barriers that impede the ability of caseworkers to perform high-quality casework.

To improve the child welfare workforce, federal law should:

- Separate true overhead from casework, social work and related support activities (such as quality assurance, performance management, research and evaluation, information technology), allowing state agencies to more effectively manage administrative overhead activities while promoting and clearly identifying essential casework functions that are critical

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for achieving placement stability and permanency. Eliminate Title IV-E Administration and replace it with:

- A new IV-E Overhead program with federal reimbursement for overhead expenses (the ongoing agency expenses not related to direct labor that must be paid for on an ongoing basis, regardless of whether demand for agency services is high or low) limited to a fixed 5 percent of the amount of all other allowable IV-E reimbursement.
  - A new Title IV-E Child Placement, Monitoring and Support program that reimburses expenses previously allowable under Title IV-E Administration and not covered under the new IV-E Overhead program. This change is important to ensure that children and families receive the individualized casework services that they need. In addition, the new program would promote high-quality casework by making all work-related activities of case units carrying the individual cases allowable expenses under Title IV-E. It would remove restrictions that currently exist on certain casework activities, such as non-clinical counseling to families, which are essential to engaging and supporting the well-being of families.
  - Both programs would reimburse states at a 50-percent matching rate, except for the previously mentioned foster-parent support activities that would be reimbursed at a 75-percent matching rate.
- Amend the College Cost Reduction and Access Act of 2007 to reduce the length of time that payments are made before educational loans are forgiven for individuals who are employed by public child welfare agencies (or private agencies under contract with public agencies) from 10 years to four years. This incentive will help attract and retain committed child welfare professionals.
  - Eliminate income eligibility requirements for Title IV-E so that all children in foster care become eligible for Title IV-E regardless of their parents' income. This is achieved by adjusting the federal matching rates (FMAP) but overall maintaining federal reimbursement equal to states' current levels. This change addresses the declining rate of federal reimbursement for Title IV-E, which has dropped nationally from 51.8 percent of all children in foster care in 2000 to 44 percent in 2012. States should be given the option to immediately make this change or to opt in at any point within a three-year timeframe. Some states have lacked the administrative capacity to fully draw down the federal reimbursement they deserve. Allowing up to three years to implement this change provides states the flexibility to determine when their federal claims accurately reflect the number of eligible families that they serve.

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- Extend eligibility under Title IV-E training to cover state expense for competency-based training of child protective services workers. Better training of investigative workers will ensure that child welfare agencies respond more effectively to reports of abuse and neglect — the front door to the foster care system — and more accurately identify families needing ongoing services to keep children safe.

### SUMMARY OF RECOMMENDATIONS

Savings	Targeted Reinvestments
Time limit federal reimbursement for foster care	Develop IDA's for youth in care at or older than age 16
Eliminate reimbursement for shelters, assessment centers, group homes	License all kin caregivers
Time limit reimbursement for residential treatment for 13+	Continue to pay stipend to foster parents when kids need short term residential treatment
Eliminate reimbursement for residential treatment for children <13	Enhance reimbursement for foster parent development, recruitment, support
Administrative clarity & simplicity	Increase foster parent tax credits for teens, sibling groups, special needs
Eliminate eligibility determination	Forgive caseworker student loans after 4 years
Distinguish overhead from direct services and related tasks	Reimburse casework time provided by child's worker of record
	Reimburse child protective investigation training

### Recommendations to Increase Access to and Accountability for Social and Therapeutic Services

State child welfare agencies differ greatly in how they are administered and financed. As a result, there is wide variation in the array of child welfare services across states. The ability of state agencies to fulfill their mission is dependent upon reliable funding to support the broad spectrum of services that children and families need. However, for many years the method for how the federal government pays for child welfare has remained largely unchanged despite widespread awareness of major shortcomings in the system and the need for significant realignment.

In 1996, Congress merged the Aid to Families with Dependent Children (AFDC) and Emergency Assistance (EA) programs to create Temporary Assistance for Needy Families (TANF). Prior to 1996, many states relied heavily on EA to fund key components of their child welfare systems. Today, based on findings from a biennial child welfare financing survey of all 50 states, we know that states expend more than \$3 billion in federal TANF block grant funds for child welfare services. Yet, states report

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neither on how these funds are used nor the outcomes achieved through their investments. The majority of Social Services Block Grant (SSBG) dollars are expended on child welfare-related services. Yet, similar to expenditures from TANF, states do not report on how SSBG dollars are spent or the outcomes achieved through their investments, and annual negotiations within states about the use of SSBG dollars lead to uncertainty within child welfare agencies. SSBG is extremely flexible and allows states to plug gaps in services, but the lack of accountability and long-term planning makes innovation difficult.

Medicaid is the primary source of federal funds to reimburse states for the cost of the critical therapeutic services needed by children who have been traumatized by abuse and neglect. Recent guidance from the Administration for Children and Families, the Centers for Medicaid and Medicare Services and the Substance Abuse and Mental Health Services Administration identifies how states can effectively use Medicaid for evidence-based interventions to address childhood trauma. Despite this roadmap, few states have modified their State Medicaid Plans to support the necessary array of trauma-informed interventions.

Re-aligning federal child welfare financing has important benefits for both children and taxpayers. In particular, it will provide greater accountability and more clarity regarding federal funding available to states. This latter point is particularly relevant given the current budget debate and proposals to eliminate the SSBG program. To realign federal financing to match desired goals, federal law should:

### **SOCIAL SERVICES BLOCK GRANT**

- Reconfigure SSBG to ensure that child welfare agencies maintain their ability to use these funds for services not eligible for Medicaid reimbursement that are needed to maintain children in their own homes or promote reunification.

### **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES**

- Continue to allow states to use TANF “to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives,” but require states to document how TANF funds used to achieve this goal are being invested and the results achieved by the investments.

### **MEDICAID**

- Provide technical assistance to states to assess Medicaid plans in light of recent federal guidance to enhance services for abused and neglected children.

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- Require state Medicaid agencies, in partnership with the state child welfare agency, to submit a plan for how the therapeutic needs of children, birth parents and foster families involved with child welfare agencies will be met and how family-based care will be encouraged whenever possible.

### OTHER ACCOUNTABILITY AND SYSTEM IMPROVEMENT PROVISIONS

- Allow states to invest funds otherwise forfeited due to federal penalties that states incur when they are unable to achieve 'substantial conformity' to federal standards in the Child and Family Services Review. These funds would support implementation of states' Program Improvement Plans.
- Require the Department of Health and Human Services (DHHS) to provide a detailed accounting of state expenditures of Title IV-B part 1 to better understand how states are allocating funds in support of a high-quality workforce.
- Require an annual report by DHHS on key indicators (determined by DHHS) of family foster homes, caseloads and caseworker retention. The report would include the number of licensed family foster care homes, annual worker turnover and caseload ratios for different levels of caseworkers for each state.
- Require states to report annually to DHHS on the rates of disproportionality of African American, Latino and Native American children at all points along the continuum of child welfare services including investigation, substantiation, placement into care, placement into group care, reunification, adoption and aging out. Require states to report on plans and progress made in eliminating racial and ethnic disparities.

### Conclusion

We are pleased to present this paper for consideration to policymakers and others interested in improving outcomes for children and families served by our nation's child welfare system. Our hope is that the ideas presented here will serve as a springboard for policy deliberations and will inform thoughtful action. We fully recognize that these recommendations do not address every aspect of the child welfare system that is in need of reform. For example, federal financing reforms could also better support best practices in tribal child welfare administration, family court processes, adoption and post-adoption and primary prevention of abuse and neglect, among other areas. We also understand that state funds account for the majority of child welfare spending. Even so, federal policies are key drivers to system change, and it is our hope that this proposal will generate a constructive dialogue and spur progress toward identifying policy solutions. We present this working paper as a work in progress, with the hope that groups and

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individuals will share their thoughts and perspectives to both improve and expand upon our recommendations.

Child welfare systems are in a critical phase. Notable gains in policy and practice have been achieved in recent years through the dedicated efforts of many stakeholders, yet further progress will be impeded until key structural changes are made to align federal financing with best practices that support desired outcomes. There is much at stake for the children and families who rely on child welfare systems for protection and assistance, and the time is now to build on the field's expanding knowledge base of what works to protect children and support strong families.