

116480



UNITED STATES GENERAL ACCOUNTING OFFICE

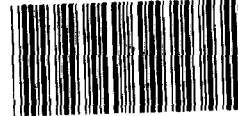
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-199795

SEPTEMBER 24, 1981

The Honorable Richard S. Schweiker
The Secretary of Health and Human Services



116481

Dear Mr. Secretary:

Subject: Circumstances That Resulted in New York Receiving
About Half of the Federal Foster Care Reimburse-
ments to States in Fiscal Year 1978 (HRD-81-156)

As promised in our April 20, 1981, report to you entitled
"Action Needed to Avert Future Overpayments to States for AFDC
Foster Care" (HRD-81-73), this report provides information on
why New York State, with only a quarter of the Aid to Families
with Dependent Children (AFDC)-foster care population, received
almost one-half of the total Federal reimbursements to the States
for foster care in fiscal year 1978. Payments to States under
the title IV-A AFDC-foster care program amounted to \$226 million,
of which \$108 million went to New York.

We focused our attention on Federal foster care reimburse-
ments to New York during fiscal year 1978 and compared New York's
foster care data with California's and other States' statistical
data. California was selected for comparison because of its
demographic similarities, program size, and large foster care
expenditures.

Our review identified several reasons why New York's Federal
foster care reimbursements were so high. Two reasons--Federal
reimbursement for unallowable administrative expenses and costs
attributable to ineligible foster care enrollees--were discussed
in our April 20 report.

(104121)

018706

Other reasons were that

--foster family home costs were more expensive in New York than in other States and

--institutional care, which is more expensive than foster home care and is more expensive in New York than in other States, was used more in New York.

The following discussion is intended to give you further insight into the high Federal foster care reimbursement to New York. The information in this report has been discussed with State and local officials in the departments of social services in New York and California and with HHS officials in Washington, D.C., and the New York regional office.

In fiscal year 1978, and until the Adoption Assistance and Child Welfare Act of 1980 was enacted in June 1980 (Public Law 96-272), HHS, under title IV-A of the Social Security Act, made Federal matching funds available to the States under the AFDC-foster care program for children living in foster family homes and child care institutions.

Funding under title IV-A was essentially open ended until the 1980 legislation was enacted. However, Public Law 96-272 created a new part E, which imposed a ceiling on foster care reimbursements for fiscal years 1981-84.

There are two basic foster care settings: (1) foster family homes and (2) child care institutions. A foster family home usually accommodates from one to six children who are cared for by a traditionally structured family. In a child care institution, children are placed in residential facilities which provide 24-hour care in a group setting usually for about 13 or more children and are staffed by volunteers or employees of the institution.

The following table, prepared from available State statistics reported to HHS, compares New York's average monthly per capita payment of foster family home and child care institutional providers with payments of other States and municipalities for fiscal year 1978.

Payment to Providers in Fiscal Year 1978

<u>Geographic area</u>	<u>Foster family homes</u>		<u>Child care institutions</u>	
	<u>Average monthly per capita payment</u>	<u>Total payments (note a)</u>	<u>Average monthly per capita payment</u>	<u>Total payments (note a)</u>
		(millions)		(millions)
New York	\$366	\$94.2	\$1,654	\$122.1
California	219	26.4	1,033	27.2
38 States, Guam, and the District of Columbia	216	b/89.2	1,127	b/43.8

a/At least 50 percent of the total payments shown were eligible for Federal reimbursement under the AFDC-foster care program.

b/Does not include payments of about \$27 million for which no breakdown was available by foster family homes or child care institutions.

We attempted to determine the reason for New York's high costs by analyzing available data and by talking to HHS and State officials.

According to the information provided by HHS and New York State officials, most of the State's higher per capita costs, particularly in New York City where a large portion of the foster care population resides, can be attributed to the:

- Structural differences in New York State's foster care system. For example, New York City contracts with private nonprofit agencies for foster family home and institutional placements. The private nonprofit agencies provide administrative services that typically are provided in other States, like California, as well as in New York counties by State social services agencies. The private agencies have highly qualified staff and tend to receive higher pay than comparable workers at the county or State level. In this regard we questioned more than \$12 million in unallowable private nonprofit agency, foster family home administrative costs, in our April 20, 1981, report. Some of these costs represented higher salaries paid to agency staff. HHS has agreed to act to recover the overpayments.

- Location of foster care family homes and child care institutions in expensive settings, such as New York City and the surrounding suburbs.
- Comparatively higher rates paid to foster family parents for child maintenance, such as food and clothing.
- Relatively higher cost of living, particularly in New York City. For example, according to the 1978 Consumer Price Index, family consumption (i.e., clothing, shelter) for a four-person family was approximately 14 percent higher in New York City than in Los Angeles.

We did not verify the statements made to us by HHS and State officials.

The following table, which compares New York's AFDC-foster children placements with those of California and other States and municipalities for which data were available, illustrates that more of New York's foster care children were in institutions than was the case for other States.

Number of Foster Children in Fiscal Year 1978

	<u>Total</u>	In foster family <u>homes</u>	In child care <u>institutions</u>	Percentage in <u>institutions</u>
New York	27,586	21,435	6,151	22
California	12,218	10,026	2,192	18
30 States, Guam, and the District of Columbia	<u>a/69,099</u>	<u>49,299</u>	<u>5,940</u>	9
Total	<u>a/108,903</u>	<u>80,760</u>	<u>14,283</u>	

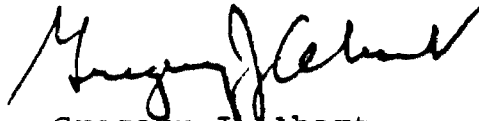
a/Includes data from 10 other States which reported an additional 13,860 foster children, but provided no further breakdown for the number of children in foster family homes or child care institutions.

When we asked HHS and New York State officials why more New York foster care children required the more expensive institutional care, they said that some of New York's foster children needed more extensive specialized care than foster children in other States. This care includes treatment for behavioral problems, psychiatric disorders, and physical conditions which may require intensive supervision and attention. Because of the limited scope of our work, we did not determine the extent to which other States provided specialized care to foster children.

- - - -

Copies of this letter are being sent to interested congressional committees and subcommittees.

Sincerely yours,



Gregory J. Ahart
Director