

Trends in Child Welfare: A Look at Caseloads, Expenditures, and Changing Needs of Youth
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Executive Summary

- Child welfare caseloads are declining.
- Costs per child welfare case are rising in certain appropriations.
- Increasing mental and behavioral health needs of youth are leading in part to increased costs.

Introduction

There are fewer youth in Michigan's child welfare system (i.e., youths in foster care and youths in adoption cases) currently than in years past. However, the associated State expenditures are not declining commensurate with the caseload and, in fact, are rising in some appropriations. A potential area of interest for the State is addressing what is driving these persistent or increased costs. Outside of inflationary costs and legislatively approved rate increases for foster care and adoption, the increased mental and behavioral health needs of youth are one explanation. Youth in the child welfare system have greater mental and behavioral needs than in years past, often requiring costlier treatment. This increased treatment cost and the increased payments made to families caring for these youth are outpacing the savings the State should see based solely on caseload decline.

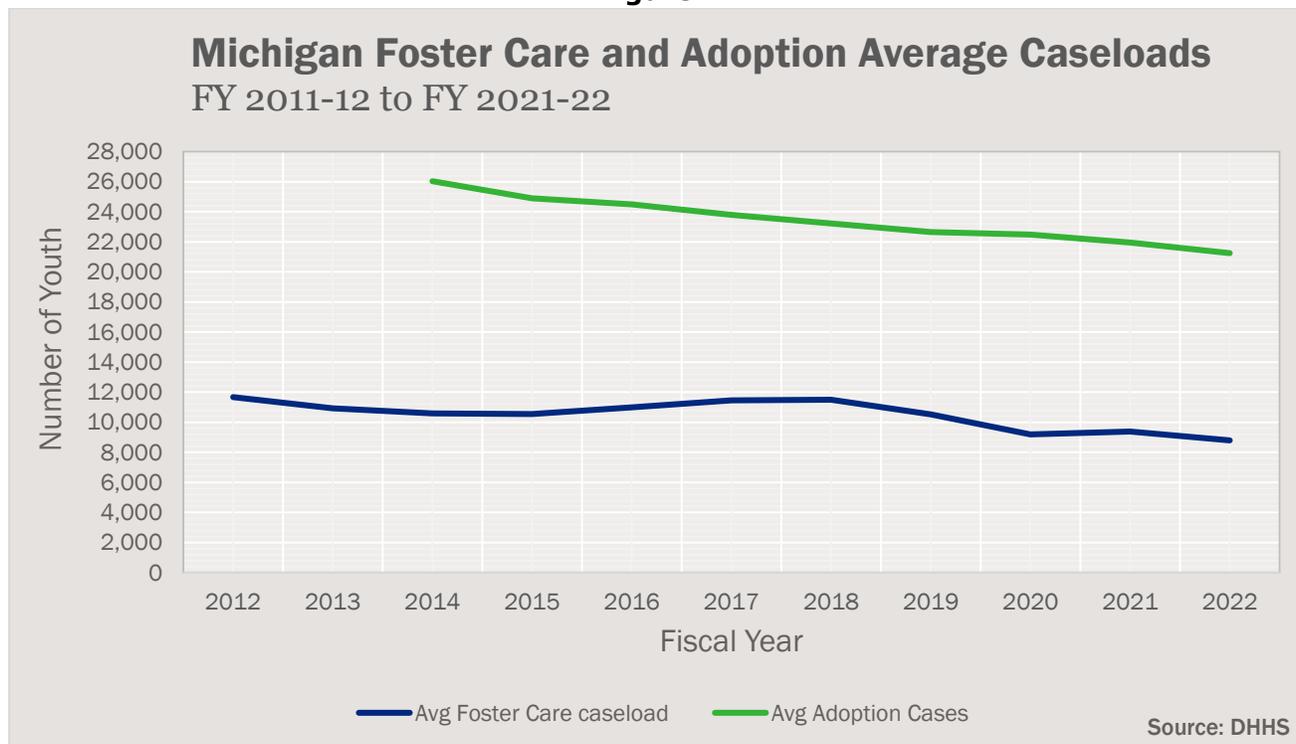
Adoption and Foster Care Caseloads

The number of youths in foster care in Michigan has been on the decline over the last decade (see [Figure 1](#)). As of May 2023, the number of youths in foster care averaged throughout fiscal year (FY) 2022-2023 stood at 8,196, which represents a 30% decline from the 11,671 youths in foster care in FY 2011-2012. Between FY 2011-2012 and FY 2014-2015, the foster care caseload declined; however, the trend reversed between FY 2015-2016 and FY 2017-2018 nearly reaching FY 2011-2012 levels. This was followed by a steep drop from FY 2017-2018 to FY 2018-2019. The start of the pandemic put stress on the foster care system as restrictions and closures of courts prevented new cases from moving through the system. These closures contributed to another steep decline in the average caseload in FY 2018-2019 to FY 2019-2020. In FY 2020-2021, there was a small rebound in cases, rising 2.0% over FY 2019-2020 levels; however, the caseload did not reach FY 2018-2019 levels and the trend reversed again in FY 2021-2022 and FY 2022-2023. As it stands currently, the number of youths in foster care is at the lowest level in the last decade and recent trends do not show any sign of the numbers climbing. There is a similar trend in adoption cases. In the last decade, the average caseload has declined by 20%, from 26,031 in FY 2013-2014 to 20,937 in FY 2022-2023. Unlike the foster care caseload, which saw both periods of increase and decrease over that time period, the adoption caseload declined each year from FY 2013-2014 to FY 2022-2023 by amounts ranging from 1% to 4%.¹

¹ Foster Care and Adoption caseload numbers are from the Department of Health and Human Services (DHHS).



Figure 1



Costs of Child Welfare

Three appropriation line items fund the majority of child welfare expenses: *Foster Care Payments*, *Adoption Subsidies*, and the *Child Care Fund*. The Adoption Subsidies appropriation funds a subsidy paid to adoptive families for youth in their care, as well as miscellaneous non-caseload items. The Foster Care Payments appropriation funds foster care expenses, including caseload items (such as maintenance payments for foster families) and non-caseload items (such as short-term emergency foster care, relative foster care licensing fees, and other miscellaneous fees). The Child Care Fund appropriation supports community-based programming for child welfare and juvenile justice youth, and placement costs for youth involved in juvenile justice cases. Costs of foster youth placed in child caring institutions and foster care placement costs are also paid out of the Child Care Fund. Although the Child Care Fund does not solely fund costs related to foster care and adoption, it is necessary to include to fully understand the spending on child welfare in Michigan.

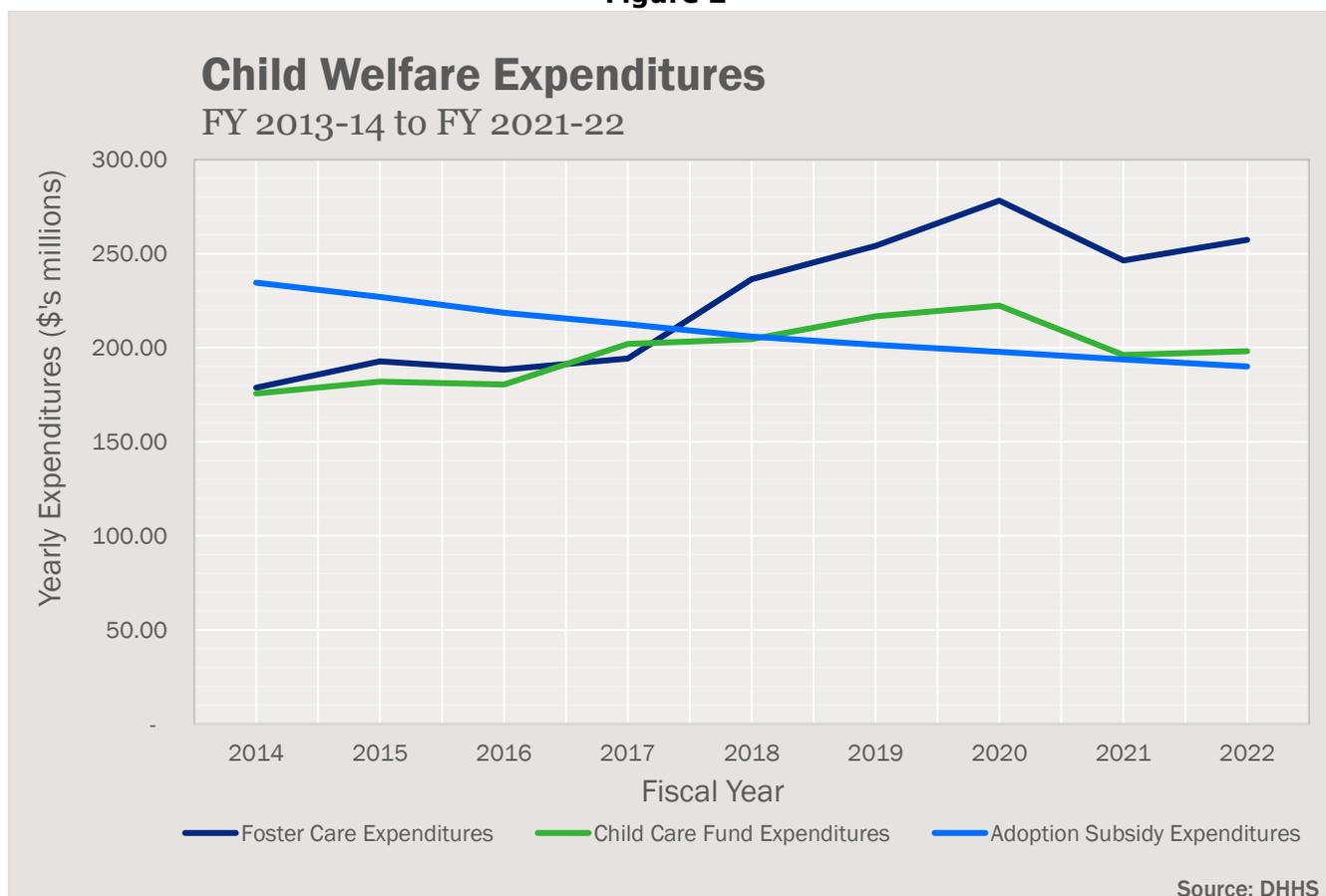
Expenditures from the adoption subsidy line item declined at a rate that coincided with the caseload decline, while expenditures from the Foster Care Payments and Child Care Fund line items rose. From FY 2013-2014 to FY 2021-2022, the yearly expenditures for Adoption Subsidies fell by 19%, while the caseload similarly fell by 18%. The expenditures from the Foster Care Payments appropriation increased by 43% from \$178.8 million in FY 2013-2014 to \$257.0 million in FY 2021-2022.² The Child Care Fund increased by 13% over this period from \$176.0 million in FY 2013-2014 to \$198.0 million in FY 2021-2022.

² Expenditures pulled from SIGMA, the State accounting system, and its predecessor, MIDB.



Each fiscal year, the Senate Fiscal Agency, House Fiscal Agency, and State Budget Office forecast the necessary appropriations for these line items using caseload and cost projections from the preceding fiscal years, as well as inflationary adjustments. Additionally, in some fiscal years, the Legislature and Executive agree to rate increases in the appropriations budget bill that carry forward into future years. The FY 2017-2018 budget included a 3.0% rate increase for foster care payments, which can be seen in [Figure 2](#) below as an increase between FY 2016-2017 and FY 2017-2018. Given the falling caseloads, increases in expenditures in the Foster Care Payments line item and the Child Care Fund line item may, at first, seem counterintuitive.

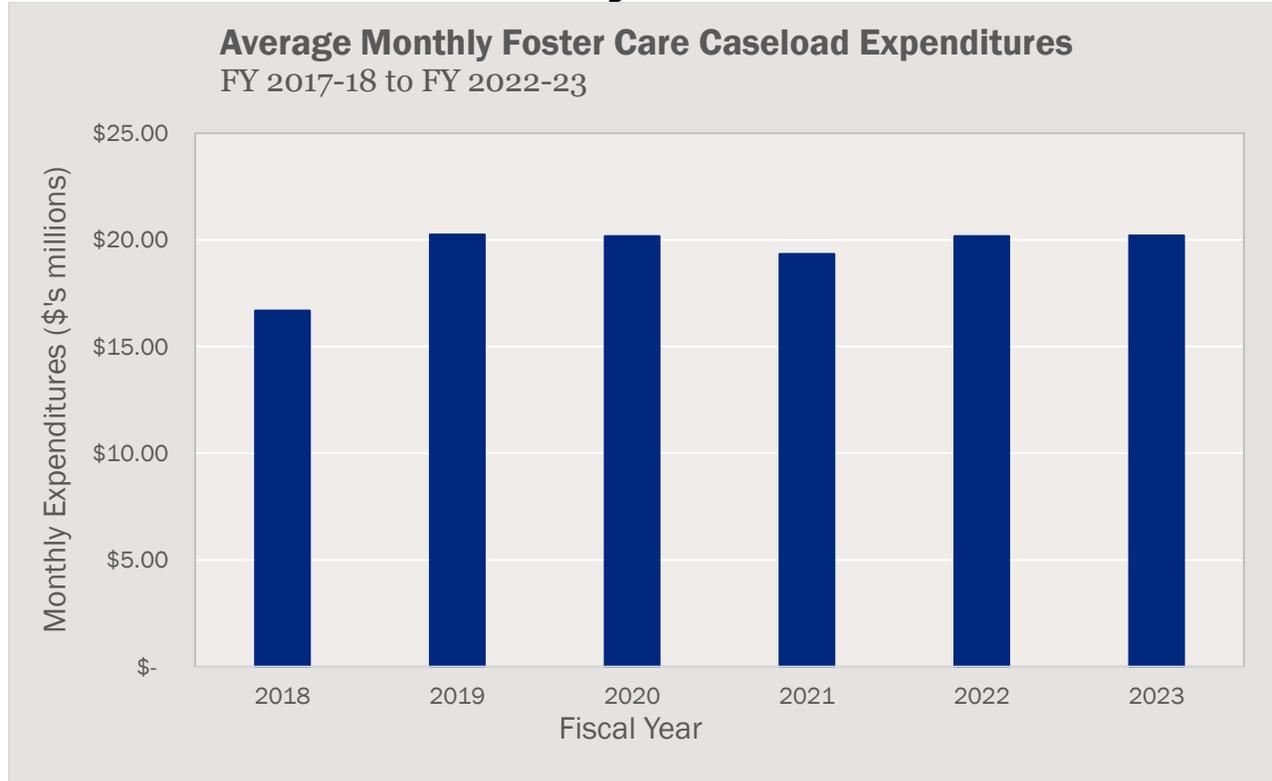
Figure 2



The cost of foster care is not strictly caseload-based as there are a number of non-caseload related expenses funded through the appropriation. Given this, rising non-caseload costs could be driving the increased expenses. Removing the non-caseload foster care expenditures, the average monthly expenditure for foster care caseload items in FY 2017-2018 was \$16.7 million. This rose to \$20.2 million in FY 2018-2019, despite the foster care caseload dropping by 9%. The average monthly expenditure for foster care payments stayed relatively stable from FY 2018-2019 to FY 2022-2023³ at just over \$20.0 million, while the caseload dropped by 22% over the same span. This signals an increased cost per case for foster care. Given the magnitude of the decline in cases, caseload expenditures holding stable cannot be completely explained by factors such as rising inflation.

³ The figures from 2023 represent a partial year's data.

Figure 3



Changing Need of Youth in Child Welfare

One contributing factor to rising costs of child welfare, despite declining caseloads, is the increased needs of the youth in foster care. The costs for youth in the child welfare system are determined by the intensity of needs of that particular child. Children enter the child welfare system because of adverse events in their families, which leads to their removal from their legal guardians. Given this, youth in the child welfare system often have greater mental, behavioral, and physical needs than the general youth population. The proportion of youth with higher and costlier needs has increased over the last five years, according to the Department of Health and Human Services (DHHS). This means youth in the child welfare system are increasingly likely to be classified as higher acuity cases or youth and are being prescribed a higher level of need at higher rates than they were previously. This could explain why expenditures from the Adoption Subsidies line item are not also rising. Children with higher needs are less likely to be adopted, and, if higher acuity youth are not being adopted at an increasing rate over the entire time frame, then there would not be an increase in expenditures from the Adoption Subsidies line item like the increase seen in both the Foster Care Payments line item and the Child Care Fund line item.

Foster care maintenance payments are set at a flat rate for youth 0-12 years of age and at another rate for youth 13 years of age and older. Payments for higher acuity youth who require extra care are paid at a higher rate based on the level of care required. The DHHS sets determination of care (DOC) rates, and an additional specialized rate is added to the base rate based on the child's medical or behavioral needs. There are 12 specialized DOC rates in Michigan, listed in increasing severity:



DOC I, II, and III (both for 0-12 years of age and the 13 years of age and older age brackets); DOC IV, DOC Medically Fragile I, II, III, and IV, and finally Serious Emotional Disturbance (SED) Waiver (see [Table 1](#)). The proportion of children with no DOC designation, which represents the lowest acuity youth, in FY 2017-2018 was 53.1%. This proportion has dropped to 44.4% in FY 2022-2023, meaning the majority of youth in foster care now currently have a higher designation of care needed and are reimbursed at a rate higher than the base rate.⁴

Under MCL 722.111, a child caring institution (CCI) is defined as a child care facility which is organized for the purpose of receiving minor children for care, maintenance, and supervision, usually on a 24-hour basis, in buildings maintained by the institution for that purpose, and operates throughout the year. Child caring institutions are congregate care settings that provide behavioral health treatment and temporary care for foster and juvenile justice involved youth before they transition to permanent homes. There are a range of treatment arrays and services CCIs provide, and facilities may offer specialized services needed for higher acuity youth (see [Tables 2.1-2.3](#)). Child caring institution service types include general residential (the lowest service type), mental health and behavior stabilization, substance abuse treatment, intensive stabilization, youth with problematic sexual behaviors, etc. In FY 2017-2018, 50% of youth in CCIs were in general residential treatment. Current DHHS data show that figure has dropped to 17% in FY 2022-2023. More youth are being assigned to more specialized care categories, which are paid at higher per diem rates.

Conclusion

Youth in Michigan's child welfare system increasingly have greater mental and behavioral health needs, which require costlier treatments and higher rates paid to families caring for these children. These costs partly explain why, despite decreasing caseloads in the child welfare system, the expenditures on child welfare are not decreasing across the board. Recognizing this trend in child welfare can help inform the State on future child welfare policy decision and budget priorities.

⁴ Numbers from 2023 represent only a partial year's worth of data.

State Notes
TOPICS OF LEGISLATIVE INTEREST
 Fall 2023



Table 1

DOC Levels	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022		FY 2023	
DOC Level I 13+	906	2.80%	919	2.60%	1,207	3.30%	1,547	4.40%	1,384	4.30%	1,207	4.30%
DOC Level I ages 00-12	3,450	10.70%	3,714	10.40%	4,247	11.50%	4,384	12.50%	4,181	13.00%	4,247	12.60%
DOC Level II 13+	303	0.90%	339	0.90%	454	1.20%	656	1.90%	597	1.90%	454	2.10%
DOC Level II ages 00-12	1,655	5.10%	1,855	5.20%	2,461	6.70%	2,785	7.90%	2,547	7.90%	2,461	7.50%
DOC Level III 13+	78	0.20%	76	0.20%	139	0.40%	227	0.60%	233	0.70%	139	0.80%
DOC Level III ages 00-12	327	1.00%	350	1.00%	621	1.70%	919	2.60%	760	2.40%	621	2.20%
DOC Level IV	50	0.20%	118	0.30%	207	0.60%	366	1.00%	626	2.00%	207	3.20%
DOC Medically Fragile Level I	196	0.60%	248	0.70%	304	0.80%	323	0.90%	305	1.00%	304	1.00%
DOC Medically Fragile Level II	240	0.70%	206	0.60%	283	0.80%	323	0.90%	353	1.10%	283	1.20%
DOC Medically Fragile Level III	191	0.60%	208	0.60%	224	0.60%	193	0.50%	201	0.60%	224	0.60%
DOC Medically Fragile Level IV	159	0.50%	140	0.40%	147	0.40%	195	0.60%	226	0.70%	147	0.70%
No DOC	17,182	53.10%	20,298	56.70%	19,872	54.00%	16,733	47.70%	14,871	46.30%	19,872	44.40%
SED Waiver	249	0.80%	223	0.60%	287	0.80%	373	1.10%	342	1.10%	287	0.80%
(blank)	7,346	22.70%	7,107	19.90%	6,379	17.30%	6,074	17.30%	5,476	17.10%	6,379	18.80%
Total.....	32,332		35,801		36,832		35,098		32,102		36,832	

State Notes
TOPICS OF LEGISLATIVE INTEREST
 Fall 2023



Table 2.1

Fiscal Year 2018			Fiscal Year 2019		
Child Caring Institution Service Type	Count		Child Caring Institution Service Type	Count	
General Residential	1,385	50%	General Residential	1,150	43%
Mental Health and Behavior Stabilization	780	28%	Mental Health and Behavior Stabilization	1,057	39%
Mother/Baby Residential Care	41	1%	Mother/Baby Residential Care	32	1%
Developmentally Disabled/Cognitively Impaired	3	0%	Developmentally Disabled/Cognitively Impaired	4	0%
Youth With Problematic Sexual Behaviors	60	2%	Youth With Problematic Sexual Behaviors	94	4%
Shelter Residential Care	89	3%	Substance Abuse Treatment	12	0%
Substance Abuse Treatment	20	1%	Short Term Residential	246	9%
Short Term Residential	268	10%	Medium or High Security	73	3%
Medium or High Security	106	4%	Boot Camp Residential Care	9	0%
Boot Camp Residential Care	11		General Residential	1,150	43%
Total	2,763		Total	2,677	

Table 2.2

Fiscal Year 2020			Fiscal Year 2021		
Child Caring Institution Service Type	Count		Child Caring Institution Service Type	Count	
General Residential	794	37%	General Residential	502	26%
Mental Health and Behavior Stabilization	993	46%	Mental Health and Behavior Stabilization	1,000	51%
Mother/Baby Residential Care	20	1%	Developmentally Disabled/Cognitively Impaired	97	5%
Developmentally Disabled/Cognitively Impaired	2	0%	Youth With Problematic Sexual Behaviors	83	4%
Youth With Problematic Sexual Behaviors	80	4%	Substance Abuse Treatment	5	0%
Substance Abuse Treatment	5	0%	Medium or High Security	15	1%
Short Term Residential	193	9%	Boot Camp Residential Care	1	0%
Medium or High Security	81	4%	Short Term Residential	90	5%
Boot Camp Residential Care	1	0%	Intensive Stabilization	24	1%
			JJ General Residential	8	0%
			Human Trafficking	28	1%
			Specialized Developmental Disability	5	0%
			JJ Mental Health and Behavior Stabilization	44	2%
			JJ Youth With Problematic Sexual Behaviors	18	1%
			Mother/Baby Residential Care	29	1%
Total	2,169		Total.....	1,949	

State Notes

TOPICS OF LEGISLATIVE INTEREST
Fall 2023



Table 2.3

Fiscal Year 2022			Fiscal Year 2023		
Child Caring Institution Service Type	Count		Child Caring Institution Service Type	Count	
General Residential	222	15%	General Residential	180	17%
Mental Health and Behavior Stabilization	631	43%	Mental Health and Behavior Stabilization	399	38%
Developmentally Disabled/Cognitively Impaired	106	7%	Developmentally Disabled/Cognitively Impaired	56	5%
Youth With Problematic Sexual Behaviors	49	3%	Youth With Problematic Sexual Behaviors	45	4%
Substance Abuse Treatment	5	0%	Substance Abuse Treatment	2	0%
MH/BS HIGH INTENSITY	71	5%	MH/BS HIGH INTENSITY	99	9%
DD/CI HIGH INTENSITY	24	2%	DD/CI HIGH INTENSITY	25	2%
Autism - QRTP	9	1%	Autism	12	1%
Intensive Stabilization	38	3%	Intensive Stabilization	37	4%
JJ General Residential	29	2%	JJ General Residential	22	2%
Human Trafficking	32	2%	Human Trafficking	27	3%
Specialized Developmental Disability	5	0%	Specialized Developmental Disability	1	0%
JJ Mental Health & Behavior Stabilization	166	11%	JJ Mental Health & Behavior Stabilization	91	9%
JJ Human Trafficking	1	0%	JJ Human Trafficking	4	0%
JJ Youth With Problematic Sexual Behaviors	66	5%	JJ Youth With Problematic Sexual Behaviors	49	5%
Mother/Baby Residential Care	7	0%			
Total	1,461		Total.....	1,049	