

More costly private model of foster care could save \$6.3 billion in long term

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In these times of trillion-dollar budgets and deficits, \$6.3 billion may not seem like much money, but that's what the United States potentially could save on each group of adolescents who enter foster care every year.

These savings could be achieved by using a more intensive and more costly private model of foster care than programs offered by public agencies across the country, according to new research led by economists and foster care experts from the University of Washington and Casey Family Programs, a non-profit agency with offices in Washington and Oregon.

The researchers analyzed the long-term benefits and costs of nearly 500 alumni from public and private foster care programs in Washington and Oregon. Every year about 100,000 adolescents age 12-17 enter foster care in the U.S., and if each entered the more costly program the researchers studied, the lifetime savings for that group would be \$6.3 billion in 2007 dollars.

"Only in recent years has cost-benefit analysis been understood and it can provide a great deal of knowledge for social programs if we evaluate programs before implementing them. The potential savings are huge," said Richard Zerbe, an economist and professor in the UW's Evans School of Public Affairs. He and Robert Plotnick, also an economist and Evans School professor; Peter Pecora, director of research at Casey Family Programs and a UW professor of Social Work; and Ronald

Kessler of Harvard Medical School, headed the research team.

Most of the savings projected by the study came from increased future earnings and lower future medical care costs. Even though the Casey program had higher daily costs, its alumni were earning slightly more than \$7,000 a year as working adults than alumni of the two state agencies. Casey alumni also reported fewer physical and [mental health problems](#), which meant lower estimated future [health care costs](#).

The study looked at 479 individuals who between 1988 and 1998 were in foster care operated by Casey Family Programs, the Oregon Department of Human Services or the Washington state Department of Social and Health Services for at least 12 months. None of the subjects had a physical or developmental disability because at the time Casey did not serve adolescents who would not be able to function independently when they became adults. Those in the study ranged in age from 20 to 33 when they were interviewed, and there were slightly more women than men, mirroring the population in foster care.

In the Casey program, workers had smaller case loads (15-16 compared to 20-30 for state workers), higher levels of education and lower annual turnover rates. Foster parents were paid comparably by Casey and the two states, but Casey parents also received a \$100 month retainer for staying with the program, an allowance to provide better clothing, an extra monthly payment if handling a difficult-to-place child and funds to pay for braces and extracurricular activities such as scouting, music or dance lessons and summer camp.

As a result, the study showed that the average daily cost for a child being served by Casey was \$82, compared to \$50.53 for one served by Washington state and \$49.16 for one cared for by Oregon.

Zerbe and Plotnick noted that the cost-benefit analysis was based on

outcomes that could be calculated. Factors that were difficult to put a dollar value on, such as increased homelessness among alumni of public agencies and more supportive social networks and improved quality of life among Casey graduates, were conservatively estimated.

"The Casey program invested in key areas," said Pecora. "If you have case workers with more education they can help youth more effectively when they hit bumps in the road. Children in the Casey program had better placements, foster parents had better support and there were fewer placement changes. That meant more stability at home and in school.

"These youth received more consistent high-quality service, although so did many children under state care."

What will it take for state, county and city agencies to adopt something like the Casey model?

"Consistent leadership," said Pecora. "It is hard to change a system when the leadership turns over every two or three years. You also need to involve the community. Businesses, schools and faith-based organizations can help because children in [foster care](#) are everyone's responsibility. This is not a private versus public issue. It is about service quality. If you pursue that you will get results."

Plotnick added, "If you offer more services you get better outcomes. We often make short-sighted decisions. Cost-benefit analysis can provide a stronger case that a program is worth doing."

More information: Co-authors of the paper, published in the journal *Contemporary Economic Policy*, are Kirk O'Brien and Diana English of Casey Family Programs, Jason Williams of the University of Alaska Anchorage and Eva Hiripi, formerly of Harvard who is now a doctoral student at the University of Heidelberg in Germany.

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