



*The Value of  
Adoption Subsidies:  
Helping Children Find  
Permanent Families*

*North American Council on Adoptable Children*

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Since its founding in 1974 by adoptive parents, the North American Council on Adoptable Children (NACAC) has been dedicated to the mission that every child deserves a permanent family. Through education, support, parent leadership capacity building, and advocacy, NACAC promotes and supports permanence for children and youth in foster care in the United States and Canada. Some of NACAC's core activities include empowering parents to support one another as they raise children adopted from foster care; working with policymakers, administrators, and grassroots advocates to reform the foster care system and improve outcomes for children and youth; and disseminating information that will help child welfare professionals and adoptive families better support vulnerable children.

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## WHY ADOPTION SUBSIDIES MATTER

Across the country, 129,000 children in foster care are waiting for adoptive families.<sup>1</sup> On average, these children entered care at five and have been in the system for more than three years.<sup>2</sup> Although 13 percent live with pre-adoptive families waiting for adoptions to be finalized,<sup>3</sup> the others are waiting for agencies to find adoptive families for them.

Many foster children waiting for adoption—and the children already adopted from foster care—have special physical, mental health, and developmental needs. Studies show that these children are at heightened risk of moderate to severe health problems, learning disabilities, developmental delays, physical impairments, and mental health difficulties.<sup>4</sup> A survey of families who adopted foster children in the 1980s found that 84 percent of the children met their state's definition of having a "special need." Surveyed families also reported that 26 percent of their adopted children had a disabling condition. Families also reported that:

- 58 percent of their children needed specialized health care,
- 68 percent had an educational delay,
- 69 percent exhibited misconduct, and
- 83 percent exhibited some other kind of serious behavioral problem.<sup>5</sup>

**Adoption subsidies make it possible for children with special needs to be adopted by loving families who require additional resources to help them thrive.** Subsidies also save public dollars because adoption is less expensive than long-term foster care and results in positive outcomes that reduce youth's need for public services. Most importantly, subsidies help children reap the many benefits of adoption.

With changes in federal and state adoption subsidy policies, more foster children with special needs could experience better outcomes through adoption. Specifically, we recommend:

- expanding federal adoption assistance to all children with special needs adopted from foster care,

- ensuring that adoption assistance payments are aligned with children's needs, and
- providing Medicaid to all children with special needs adopted from foster care.

### *Subsidies ensure that children experience the benefits of adoption.*

Beginning in FY 2000 and continuing through FY 2006, more than 50,000 children have been adopted annually from foster care.<sup>6</sup> For these children, adoption provides a lifetime of benefits. **Adoptive families provide love and emotional security for their children, the stability of a committed family who will be there for them throughout childhood and into adulthood, a place to call home, and financial support.**<sup>7</sup> Like other parents who provide, on average, \$38,000 in assistance to their children between ages 18 and 34,<sup>8</sup> adoptive parents continue to provide support for their children as they transition into adulthood—support that is not likely to be available for youth who do not leave foster care for permanent families.

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*"[Adoption subsidy] took the weight off and moved us from thinking, 'Can we financially make this work?' and put the focus back where it should be—'Can we love and care for this child? Do we have the love and commitment to parent this child?' That was never in question!"*  
— *adoptive father, Iowa*

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### *Adoption Subsidies: Meeting a Child's Needs*

When Alex was three years old, he was adopted by single dad Vernard of Michigan. "I knew Alex had endured some extremely traumatic events because he had been in 10 placements before I got him," recalls Vernard. Due to his early trauma, Alex suffered from reactive attachment disorder.

Vernard recalls, "I made absolutely sure I received adoption subsidy prior to the adoption, because I knew accepting even a minimum amount of subsidy would be in Alex's best interest. I knew that if Alex required residential treatment or out-of-home placement—due to his multiple placements, and the neglect and physical and sexual abuse he experienced—there was no way I could afford \$300 to \$400 a day or even trained respite support."

Alex receives a \$300 monthly subsidy, but it is not enough to meet his serious emotional disabilities. During their first years together, Vernard spent more than \$850 per month, including four different therapies to help Alex. Today, Vernard can no longer afford therapy for Alex, but continues to attend conferences, read, and implement multiple strategies to help Alex work through his abandonment, grief, and loss.

In spite of the challenges and Alex's ongoing need for treatment and services, Vernard knows that his loving support has already made a tremendous difference to Alex!

*“Being adopted is having an abundant life, and more importantly knowing you are wanted.”*  
 — youth adopted from foster care at age 17

Studies show that children who are adopted from foster care have far better educational and social outcomes than those who remain in foster care.<sup>9</sup> Research has demonstrated that youth who are adopted, when compared to youth in foster care, are:

- more likely to complete high school or the equivalent,
- more likely to attend and complete college,
- less likely to become teen parents,
- less likely to abuse drugs and alcohol,
- less likely to have mental health problems,
- less likely to be arrested or incarcerated,
- more likely to be employed, and

- more likely to have adequate incomes (with one study showing that individuals adopted from foster care have incomes that are 75 percent higher than young adults who age out of foster care).<sup>10</sup>

The outcomes for youth who age out of foster care without a family are extremely troubling. These youth are at elevated risks of homelessness, poor educational outcomes, poor health, unemployment, and incarceration.<sup>11</sup> As a group, they struggle to establish themselves as productive adults without the emotional and financial support of families—and society ultimately bears the costs of serving many of them in adult service systems.

## Two Types of Adoption Subsidies

Adoption subsidies—also called adoption assistance—are monthly payments to adoptive families made on behalf of children with special needs adopted from foster care, as well as medical assistance for the adopted child, often through Medicaid. Children may qualify for one of two types of adoption subsidies: subsidies funded through a combination of federal and state and/or local funds or subsidies funded solely with state and/or local funds.<sup>12</sup>

**Federally Funded Adoption Subsidies.** Federal Title IV-E matching funds are given to states that provide adoption assistance payments on behalf of adopted children with special needs who meet Title IV-E eligibility requirements. Eligibility for federally funded adoption subsidies has two components:

<i>Eligibility Requirements</i>	<i>Special Needs Determination</i>
<p>A child must be:</p> <ul style="list-style-type: none"> <li>• eligible for the Aid to Families with Dependent Children (AFDC) program (based on their birth parents’ income under 1996 eligibility standards for the now-defunct AFDC program), OR</li> <li>• eligible for Supplemental Security Income (SSI), OR</li> <li>• a baby born to a minor parent who is in foster care, OR</li> <li>• a child who received Title IV-E Adoption Assistance in a previous adoption, but whose original adoption was dissolved or the adoptive parents died.<sup>13</sup></li> </ul>	<p>All of the following three conditions must be met:<sup>14</sup></p> <ul style="list-style-type: none"> <li>• a judicial determination that the child cannot or should not be returned to the home of the parents, AND</li> <li>• the child has a “special need” (defined by each state) such as ethnic background, age, membership in a sibling group, or medical condition or disability that would make an adoptive placement difficult,<sup>15</sup> AND</li> <li>• reasonable efforts have been made for an unsubsidized adoptive placement, except where a specific adoptive placement is in the child’s best interests.<sup>16</sup></li> </ul>

State agencies determine the amount of a child’s adoption subsidy.<sup>17</sup> Under Title IV-E, adoption assistance payments may not exceed the amount that is allowable under foster family care and/or the reasonable fees for services in cases where special services are required. Although the federal adoption assistance program is burdensome to access because of the complicated eligibility requirements, its importance as a stable, reliable source of funding for children adopted from foster care cannot be overstated.

**State-Funded Adoption Subsidies.** When children are not eligible for federally funded adoption subsidies, they often receive subsidies funded by the state. No federal reimbursement is provided for these subsidies. State-funded adoption subsidies take different forms in different states. Some states, for example, provide lower benefits. Some states have limited the availability of subsidies only to families who meet a particular income level—regardless of the child’s needs. In addition to the more limited benefits, state-funded programs have been vulnerable to reductions or elimination of benefits and have seen budget cuts in recent years.

## *Adoption subsidies increase the likelihood that children will be adopted from foster care.*

Studies have consistently found that the availability of adoption subsidies is essential to many families' ability to adopt children from foster care.<sup>18</sup> Given the current economic realities of raising a child, it is not surprising that the availability of subsidies is of great importance to prospective adoptive families. In an early 1990s study, for example, 29 percent of families reported that they would have had difficulty adopting without a subsidy; 35 percent said that the availability of subsidy had a positive influence on the decision to adopt.<sup>19</sup> **In a more recent survey of adoptive and prospective adoptive parents, 81 percent reported that the availability of subsidy was important to their decision to adopt, and 58 percent said that they could not adopt without a subsidy.**<sup>20</sup>

Families who adopt children in foster care are principally children's foster parents and relatives. In FY 2006, 59 percent of children adopted from foster care were adopted by foster parents and 26 percent were adopted by relatives.<sup>21</sup> These adoptions have proven to be extremely successful: adoptions by foster parents and relatives are stable and children adopted by their foster families and relatives fare well emotionally, socially, and academically.<sup>22</sup>

Most foster families are in the low to lower middle income range,<sup>23</sup> and many grandparents and other relatives who care for children in foster care are on fixed incomes.<sup>24</sup> Without subsidies, many parents would not have the means to adopt children from foster care. Just as foster care maintenance payments do not cover the true costs involved in the basic care of a child,<sup>25</sup> adoption subsidies are modest financial supports that provide adoptive families with additional resources to meet their children's needs.

Federal law recognizes that subsidies are essential: the federal adoption assistance program was designed to ensure that children with special needs are not deprived of adoptive families because of financial concerns. Recently, statistical analyses have found a strong relationship between the percentage of children who receive adoption subsidies and the rate of adoptions among children in foster care.<sup>26</sup> **These analyses made clear that the higher the percentage of children who received an adoption subsidy in a state, the higher the rate of adoption of foster children in that state.**

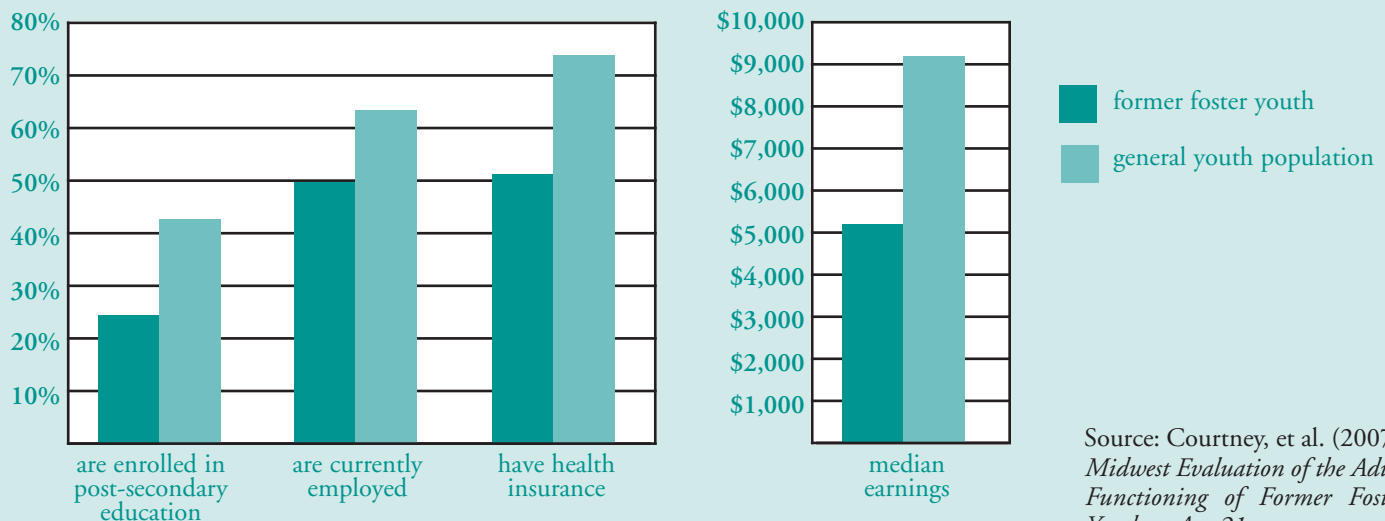
**Economists also have found that higher subsidies correlate to more adoptions from foster care.** A recent analysis showed that an increase of 1 percent in the adoption subsidy rate was associated with a 1.5 percent increase in the number of adoptions per 100,000 persons in the state. For the average state, an

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*“Both of [my adopted children] had the chance of leading normal lives that they never would have had otherwise. Adoption was not a panacea for either child, but it seems to have been the stabilizing force that gave them the foundation from which they could reach their full potential.”*  
— adoptive parent, Tennessee

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## *Outcomes for Youth Who Age Out of Foster Care and General Population of Youth at Age 21*<sup>27</sup>



Source: Courtney, et al. (2007). *Midwest Evaluation of the Adult Functioning of Former Foster Youth at Age 21.*

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*“ . . . That is what permanency is for me, the feeling I get knowing that no matter what I do, I will always be able to get a hug.” — youth adopted from foster care*

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*“If we didn't have the assistance, we couldn't adopt. We would not have the resources! [Our] adopted child is a special needs child and I have to have assistance.” — adoptive parent*

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increase of just \$36 in the adoption subsidy rate was associated with an increase of 1.785 adoptions per 100,000 persons in the state. With this small increase in adoption subsidy levels, the average state saw nearly 10 more children in foster care being adopted.<sup>28</sup>

### *Adoption subsidies save money.*

Research shows that adoption subsidies save billions of dollars each year. In one recent economic analysis, researchers compared the costs of adoption with the costs of maintaining a child in foster care. The researchers estimated that government savings for the 50,000 children adopted from foster care each year could range from \$3.3 billion to \$6.3 billion, when compared to maintaining youth in care until age 18.<sup>29</sup>

Other researchers used economic analyses to determine that each adoption of a foster child saves between \$190,000 and \$235,000 in public benefits.<sup>30</sup> These savings include human services savings (based on a determination that the cost of adoption is about half the cost of long-term foster care) and savings from reduced grade repetition, reduced use of special education services, and reduced crime—positive outcomes for children placed with adoptive families. The researchers also calculated that each adoption nets between \$88,000 and \$150,000 in private benefits due to the differences in incomes between young adults who were in long-term foster care and those who were adopted.<sup>31</sup> Thus, even small increases in adoption subsidy payments reap long-term rewards for the adopted children and society.

## **ADOPTION SUBSIDIES MUST BE IMPROVED TO BETTER SERVE CHILDREN**

Adoption subsidies make a difference in children's opportunities to be adopted. For adoption subsidies to work well for all children, they must be available for all foster children with special needs—regardless of their birth family's income. In addition, adoption subsidy levels must adequately meet children's special needs, and health care coverage must be continuous, even when adoptive families relocate to another state.

### *Recommendation: Make all foster children with special needs eligible for federally funded adoption assistance by eliminating the eligibility link to AFDC.*

Currently, the primary way children become eligible for federally funded adoption subsidies is if their birth parents were poor enough to meet 1996 income eligibility standards for the now-defunct AFDC program.<sup>32</sup> By tying eligibility to birth family income, this policy unfairly limits government support to only a subset of children who need and deserve financial assistance. All children in foster care with special needs are entitled to the support of the government systems that removed them from their birth family and terminated their parents' rights. Each of these children brings a history of child abuse or neglect, separation and loss, and trauma, and all of them deserve ongoing financial support to make it possible for them to be adopted by a family who can meet their ongoing needs.

Children are eligible for federal adoption assistance based upon their eligibility for federal Title IV-E foster care funding. Unfortunately, fewer and fewer children are eligible for federal foster care support each year, limiting the eligibility for adoption assistance. Between 1998 and 2004, 10 states experienced declines of between 14 percent and 33 percent in the number of children eligible for Title IV-E foster care.<sup>33</sup>

Nationally, the percentage of adoptions in which children received federally funded subsidies declined by 5.3 percent between 2000 and 2005.<sup>34</sup> Drawing on data submitted by states to the Adoption and Foster Care Analysis and Reporting System (AFCARS), Table 1 (*on next page*) provides information on the 10 states with the greatest decreases between 2000 and 2005 in the percentage of children adopted from foster care who received federally supported adoption subsidies.

Also drawing on data submitted to AFCARS, Table 2 (*on next page*) shows the states with the highest and lowest percentages of adoptions in which children received federally supported adoption subsidies in 2005.

When children are not eligible for federally funded adoption subsidies, they may—or may not—receive state-funded adoption subsidies. Although all states offer state-only funded adoption assistance, some states determine benefits based on adoptive families' income (called means testing) and as a result, not all children with special needs adopted from foster care receive needed support. **Importantly, state-funded adoption assistance is more vulnerable to reductions or elimination of benefits in state budget crises.**<sup>35</sup> Currently, more than 28 states and the District of Columbia are facing budget problems for 2009, with the total shortfall projected to be at least \$40 billion.<sup>36</sup>

Each waiting child in foster care with special needs must receive federally funded adoption subsidies, regardless of their birth parents' income. It makes no sense to deprive some children of adoption subsidies based on an outdated 1996 standard for parents whose rights have been terminated. This policy unfairly deprives a growing number of chil-

*Table 1. Ten States with the Greatest Percentage Decrease of Children Receiving Federally Supported Adoption Subsidies (2000–2005)*<sup>37</sup>

State	Decline
District of Columbia	39.8%
Delaware	34.8%
West Virginia	28.8%
Colorado	24.7%
Vermont	19.6%
Alaska	19.5%
Arkansas	15.4%
Maine	14.9%
Michigan	14.9%
Minnesota	13.5%

dren with special needs the support provided to other children with similar needs. The current system of offering some children federally funded adoption subsidies, others state-only funded adoption subsidies, and yet others no subsidy at all unfairly denies some children the opportunity to grow and thrive in new adoptive families.

**Offering all children with special needs a federally funded adoption subsidy ensures that illogical eligibility standards do not keep them from the adoptive families they need and deserve, and that they do not face the uncertainty of life without a permanent family.** Providing federally funded adoption subsidies to all children with special needs saves state and federal governments money—children are no longer in more expensive foster care place-

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*“All the families we serve are poor, but we have to ask ‘just how poor are you?’ before they can get any federal assistance, even though the needs of the children haven’t changed. Clearly, our system could help families more efficiently and more fairly if the old AFDC link wasn’t a factor.”*  
*— John Mattingly, commissioner, New York City Administration for Children’s Services*<sup>40</sup>

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*Table 2. States with Highest and Lowest Percentages of Adoptions of Children Receiving Federally Supported Subsidies (2005)*<sup>38</sup>

States with Lowest Percentages		States with Highest Percentages	
District of Columbia	*9.4%	New Hampshire	96.0%
Puerto Rico	19.8%	Kentucky	95.9%
West Virginia	20.9%	Ohio	95.5%
Delaware	24.4%	Washington	87.0%
Alabama	35.2%	New Jersey	84.4%
Massachusetts	35.3%	New Mexico	84.4%
Georgia	39.8%	Mississippi	83.5%
Nebraska	45.2%	Idaho	81.9%
North Dakota	45.4%	New York	81.0%
Iowa	47.4%	Missouri	78.4%
Colorado	48.2%	California	77.9%
Wyoming	49.2%	Nevada	77.2%
Rhode Island	49.3%	Arizona	77.1%
Connecticut	49.9%	Oregon	76.6%

\*The above figures are from federal AFCARS data. The Washington, D.C. Department of Child and Family Services Agency reports a penetration rate for 2005 of 68 percent. The discrepancy is due, at least in part, to IV-E determinations being completed after data is submitted to AFCARS.<sup>39</sup>

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*“The assistance enables us to continue mental health treatment, pay for trips to out-of-town doctors, get respite when we need it, and obtain specialized child care. The services are what keeps us together.” — adoptive mother, Vermont*

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ments, and states no longer have to conduct income eligibility determinations for adoption assistance.

***Recommendation: Set adoption subsidy amounts at levels that meet children’s special needs.***

Research suggests that the amount paid as an adoption subsidy is critical to meeting adopted children’s needs and supporting their successful adoptions. In a study of children who had waited the longest for adoptive families in New York State, 60 percent of the social workers responsible for placing these children believed that higher subsidies might improve their chances of adoption.<sup>41</sup> A recent Children’s Rights survey found that more than half of the adoptive parents said the subsidy they received was not sufficient to meet their children’s needs.<sup>42</sup>

Yet in many states, the median adoption subsidy is significantly less than the median foster care maintenance payments made on behalf of children in foster care.<sup>43</sup> Wide differences between foster care maintenance payments and adoption subsidies may require foster parents and relatives to accept far lower levels of support for children they fostered, though their children’s needs remain exactly the same. In the Children’s Rights survey, 47 percent of adoptive parents received a subsidy that was lower than the rate they received as foster parents for those same children.<sup>44</sup> **For many families, the significant decrease in financial support makes impossible the adoption of the children they know and love.**

Inequities also occur in the adoption subsidy rate, with average subsidy rates varying widely from state to state.<sup>45</sup> States with a higher cost of living do not necessarily provide higher adoption subsidies—which might be expected given the impact of the cost of living on the costs of medical, mental health, and developmental services for children.

Finally, inequities exist between federally funded adoption subsidies and state-only funded subsidies. A growing percentage of all adoption subsidies are funded solely with state dollars. In 1996, 13.3 percent of all subsidies were state-only funded; in 2003, 19.9 percent

were wholly state funded.<sup>46</sup> On average, **state-only funded subsidy payments are lower than federally funded adoption subsidies.** A study of AFCARS data from 1996 to 2003 found that the average state-funded adoption subsidy was about \$40 less per month than federally funded adoption subsidies.<sup>47</sup>

If children are to have meaningful opportunities for adoption, adoption subsidies must be set realistically to meet their special needs. Inadequate subsidy levels make it impossible for many families to adopt children with significant challenges. Other families, because they are committed to the child, accept inadequate subsidy levels and then struggle to meet the child’s needs with their own limited resources. **Adoption subsidy rates must be set at a level that adequately meets children’s needs, which at a minimum, should be the same level of support and benefits (including any therapeutic or specialized rates) the children would have received had they remained in family foster care.**

***Recommendation: Provide each child with continuous health care coverage through Medicaid, including children whose families move to another state.***

All children with federally funded adoption subsidies have the benefit of Medicaid coverage. When children who have Medicaid move to a new state or are adopted into another state, the new state of residence provides the child with Medicaid coverage and access to Medicaid-enrolled health care providers.

When children have state-funded adoption subsidies, they, too, have government-funded health care coverage—either through Medicaid or a state medical assistance program (except in New Mexico, which provides neither option). Although most states have chosen to extend Medicaid coverage to these children, eight states have not done so: the District of Columbia, Hawaii, Illinois, Nebraska, Nevada, New Hampshire, New Mexico, and New York.<sup>48</sup> As a result, children adopted from another state by families who live in these eight states do not receive medical coverage. Similarly, when adoptive families



whose children have state-funded subsidies relocate to these states, they lose their medical coverage. **This limitation can affect a child's ability to be adopted or receive needed health care and can restrict an adoptive family's ability to live where they choose.**

Given the physical, mental health, and developmental conditions and disabilities of many children in foster care who are adopted, Medicaid is vital to ensuring access to an array of critically needed health care services. With the extension of federally funded adoption subsidies to all children with special needs, each child leaving care to an adoptive family would be eligible for Medicaid. **Federal law must provide that each child have continuous Medicaid coverage by requiring that all states offer this coverage to every child with special needs adopted from foster care.**

## CONCLUSION

The benefits of adoption for children in foster care have been well documented. Adoption subsidies clearly play a critical role

in the adoption of children with special needs—making it possible for them to be adopted by loving families who have the resources necessary to support them. Adoption subsidies increase children's opportunities for adoptive families, and adoption subsidies save the government money as children leave foster care to families who assume the primary financial responsibility for them.

To ensure that children in foster care with special needs have the benefit of adoptive families, three key policy steps must be taken:

- all children with special needs in foster care must be eligible for federally funded adoption subsidies,
- subsidy amounts must be set at levels that align with children's special needs (at least the level they would have received in family foster care), and
- children must have continuous health care coverage through Medicaid, including children who are adopted into a new state or those whose adoptive families move out of state.

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*“Frankly, because we have handicapped children, we wouldn't be able to care for them with out [adoption assistance]. It enables us to get them the best medical care, therapy, equipment, etc. We want them to have the best care possible, and the assistance makes that happen.”*  
— adoptive parent

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### IV-E Eligibility Determination Causes Adoption Delay

Carrie is a single mother who has adopted several foster children with serious disabilities. Her first experience adopting from foster care was a rocky one. A few years ago, Carrie's seven-year-old niece Heather entered foster care in another state. Heather was deaf and blind, had dwarfism and severe developmental delays, could not communicate, and was fed with a g-tube. After a year and a half in care, the state decided that Heather could not return home and was considering a long-term institutional placement. Instead, Carrie stepped forward to adopt.

Unfortunately, the state had never done a Title IV-E eligibility determination for Heather, so she was not eligible for Medicaid. Heather's home state would provide its state insurance, but this would be useless in the state where Carrie lived. Even though Carrie was ready to bring Heather home right away, the state had to spend six months determining that Heather was IV-E eligible so that she could have health insurance coverage. She remained in foster care during this time, rather than joining her loving aunt in an adoptive family. Eventually, the eligibility determination was made and the adoption took place.

Adoption has been a miracle for Heather. She is in high school, has learned to communicate, and is developing job skills. She may never be completely independent, but she is happy and thriving in her forever family. The monthly adoption subsidy she receives covers special medical equipment and supplies not covered by Medicaid, home day care when Carrie can't be around, and special camps and other activities specifically designed to meet Heather's needs. Without the subsidy and the Medicaid coverage, the adoption would never have been possible. Since she adopted Heather and received the necessary support, Carrie has gone on to adopt several other foster children with disabilities.

## ENDNOTES

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- 15 Ibid. Federal law does not provide an exhaustive list of special needs conditions and thereby allows states much discretion in determining the definition of a child with special needs.
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