

Medicaid Spending by Child Welfare Agencies in SFY 2022

Child welfare agencies across the United States are charged with protecting and promoting the welfare of children and youth who are at risk of or have been victims of maltreatment. State and local child welfare agencies rely on multiple funding streams to administer programs and services. In state fiscal year (SFY) 2022, state and local child welfare agencies spent \$34.3 billion in federal, state, local, and other funds. While many funding sources are available to child welfare agencies, each source has its own unique purposes, eligibility requirements, and limitations creating a complex financing structure that is challenging to understand and administer. Each state's unique funding composition impacts what services are available to children and families and the way in which child welfare agencies operate.

Other available resources

This document is one of many child welfare financing resources available on the [Child Trends](#) website, including a summary of national findings and detailed information on the following funding sources used by child welfare agencies:

- Title IV-E
- Title IV-B
- Temporary Assistance for Needy Families
- Social Services Block Grant
- Other federal funds
- State and local funds

This document presents information about Medicaid spending by child welfare agencies in SFY 2022 collected through Child Trends' national survey of child welfare agency expenditures.¹

Background

Medicaid is an entitlement program² that provides health coverage and services, including clinical behavioral health services, to individuals with low incomes. States and the federal government share the costs of Medicaid-covered expenditures, and the federal government reimburses states for eligible costs based on their Federal Medical Assistance Percentage (FMAP).³

Children eligible for Title IV-E Foster Care, Adoption, or Guardianship programs are automatically eligible for Medicaid. Children involved in the child welfare system may also be eligible for Medicaid through other mechanisms, such as family income. Additionally, the Patient Protection and Affordable Care Act (ACA) of 2010 (P.L. 111-148)⁴ mandates that states extend Medicaid eligibility to youth up to age 26 who age out of the foster care system (and meet other criteria), regardless of their income. In SFY 2022, the federal mandate applied only to youth who remain in the state where they had been in foster care, although some states have expanded this access to youth formerly in foster care who were in care in other states.⁵ The Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act (SUPPORT for Patients and Communities Act, P.L. 115-271) made Medicaid coverage available to eligible young people formerly in foster care even if they move to another state beginning January 2023.⁶

For the purposes of this survey, states reported only Medicaid funds that covered costs borne by the child welfare agency and/or for which the child welfare agency paid the non-federal match. It excludes Medicaid-funded costs borne by other agencies (e.g., the health department) unless the child welfare agency paid the non-federal match and so excludes costs associated with health care coverage. This means that the Medicaid expenditures reported on this survey do not reflect the total amount of Medicaid funding used to support children involved with the child welfare system. Instead, the expenditures reported on this survey are only those Medicaid dollars that child welfare agencies used directly.

Common Medicaid-covered services paid for by child welfare agencies are:

- **Rehabilitative services:** treatment portions of child welfare programs that can be reimbursed by Medicaid under certain circumstances
- **Targeted case management:** services to help certain groups of individuals (i.e., children involved with the child welfare system) gain access to needed services
- **Services for children in treatment or therapeutic foster home settings:** family-based, out-of-home placements for children with high needs

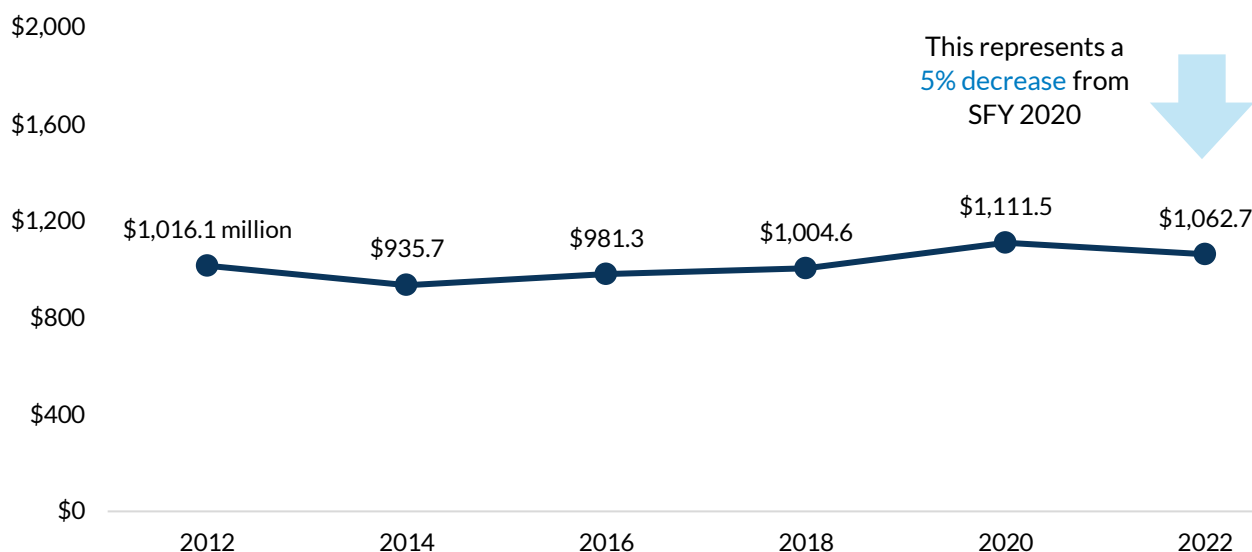
States vary in the extent to which the child welfare agency or other agencies pay for these types of services with Medicaid funds.

Overview of Medicaid spending

\$1.2 billion

In SFY 2022, child welfare agencies reported spending **\$1.2 billion** in Medicaid funds for child welfare activities.⁷

Medicaid expenditures have **increased by 5 percent** over the decade (among states with sufficient data in SFYs 2012 and 2022). This graph shows the trend line over the decade.⁸



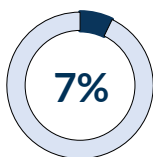
All dollar amounts have been inflated to 2022 levels. The figures presented in this graph reflect an analysis of 39 states with sufficient data across all six surveys conducted between 2012 and 2022 (surveys conducted every two years). Therefore, the total amount of SFY 2022 Medicaid expenditures presented in this graph (\$1.1 billion) differs from the total amount presented in the text (\$1.2 billion).

Between SFYs 2020 and 2022, **more states reported a decrease** as opposed to an increase in the use of Medicaid funds by child welfare agencies.⁹ Changes in Medicaid expenditures ranged from **-73 percent to 104 percent** depending on the state.

States experiencing changes in the use of Medicaid funds



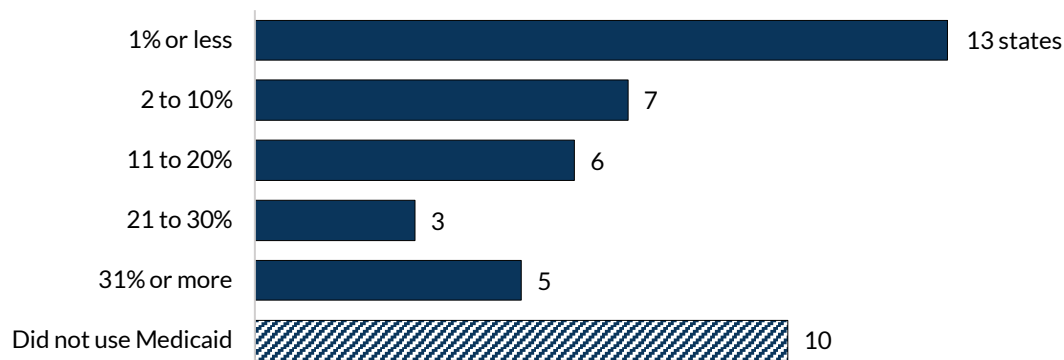
Medicaid as a share of all federal funds



Medicaid funds made up a **small proportion** of federal funds spent by child welfare agencies in SFY 2022.¹⁰

Medicaid funds accounted for **zero** to **56 percent** of federal dollars spent by child welfare agencies in SFY 2022, depending on the state.

Percentage of federal expenditures



Decreases in Medicaid expenditures between the late 2000s and early 2010s were largely due to changes in how state child welfare agencies used Medicaid, rather than reflecting a decrease in Medicaid services for children known to the child welfare agency. During that period, spending on the kinds of Medicaid services child welfare agencies typically pay for decreased, but overall Medicaid spending on this population held relatively steady.¹¹

The results from this latest survey show an increase in child welfare agency Medicaid spending over the past decade. The increased FMAP rates via the Families First Coronavirus Response Act (FFCRA) contributed to this increase. However, despite the slight increase over the decade, we identified a slight decrease between SFYs 2020 and 2022. The most recent decrease in Medicaid spending by child welfare agencies may be due to lower child welfare caseloads in recent years. In fact, Minnesota indicated its significant decrease in Medicaid expenditures was likely due to lower caseloads during the COVID-19 pandemic. In addition, Illinois indicated it experienced a large decrease in Medicaid expenditures due to costs shifting to another agency.

On the other hand, Georgia explained that its large increase in Medicaid expenditures was because it transitioned all children in foster care to a managed care approach, which increased the state's administrative claims. Massachusetts indicated its Medicaid expenditures increased when the state implemented claiming for targeted case management and changed the methodology for claiming for rehabilitative services, which allowed the state to more fully capture rehabilitative treatment activities.

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Main Report: Rosinsky, K., Fischer, M., Haas, M., Ibarra, A., & Williams, S.C. (2025). *Child Welfare Financing SFY 2022: A survey of federal, state, and local expenditures*. Child Trends. DOI: 10.56417/5123x6901v

Endnotes

¹ See the main report (*Child Welfare Financing SFY 2022: A survey of federal, state, and local expenditures*) for more specific information about the methodology, interpretation of findings, and important caveats.

Each state reported data based on its SFY 2022, which for most states is July 1, 2021, to June 30, 2022. Of the 46 participating states, only four (the District of Columbia, Michigan, New York, and Texas) reported a different SFY period.

The survey instrument has been revised over the 13 rounds of the survey, so some data are not directly comparable. See the main report for more details about changes to the survey and comparability.

For the purposes of the survey, the District of Columbia and Puerto Rico are considered states.

This year, Alabama, Alaska, Hawai'i, Kentucky, North Dakota, and West Virginia were unable to participate, resulting in a total of 46 participating states.

² Entitlement programs require payments to persons, state and local governments, or other entities if eligibility criteria established in law are met. Entitlement payments are legal obligations of the federal government and do not have a set funding ceiling.

³ The FMAP determines the amount the federal government reimburses states for eligible costs. The FMAP rates are reassessed and updated annually and are higher for states with lower average per capita incomes. Though reimbursement for most Medicaid costs (including services) is generally at the state's FMAP, some classes of expenses are subject to other reimbursement rates. For example, costs considered to be program administration are reimbursed at 50 percent. [Mitchell, A. (2025). *Medicaid's Federal Medical Assistance Percentage (FMAP)*. Congressional Research Service, (R43847; April 2, 2025), Washington, D.C. Available at: <https://www.congress.gov/crs-product/R43847#:~:text=FMAP%20rates%20have%20a%20statutory,share%20of%20most%20Medicaid%20expenditures>]

⁴ Patient Protection and Affordable Care Act of 2010. Public Law No. 111-148. Available at: <https://www.congress.gov/bill/111th-congress/house-bill/3590>

⁵ Baumrucker, E.P. & Landers, P.A. (2024). *Medicaid Coverage for Former Foster Youth Up to Age 26*. Congressional Research Service (IF11010; June 14, 2024), Washington, D.C. Available at: <https://crsreports.congress.gov/product/pdf/IF/IF11010>

Government Accountability Office (2025). *Medicaid Enrollment in and CMS Oversight of Former Foster Care Children Eligibility Group*. GAO-25-107286. Available at: <https://www.gao.gov/assets/gao-25-107286.pdf>

⁶ SUPPORT for Patients and Communities Act of 2018. Public Law No. 115-271. Available at: <https://www.congress.gov/bill/115th-congress/house-bill/6>

⁷ Alabama, Alaska, Hawai'i, Idaho, Kentucky, North Dakota, and West Virginia were unable to report Medicaid spending in SFY 2022.

⁸ To enable comparisons, all dollar amounts from previous years have been inflated to 2022 levels using the gross domestic product deflator (accessed at www.measuringworth.com/uscompare/).

When comparing expenditures or funding proportions between two or more years, we restricted the analysis to states with sufficient data in the years being compared. This is because some states provided incomplete information or did not respond to the survey in some years.

The percentage change between SFYs 2012 and 2022 is based on an analysis of 45 states with sufficient data.

The percentage change between SFYs 2020 and 2022 is based on an analysis of 42 states with sufficient data.

⁹ Based on an analysis of 42 states with sufficient data

¹⁰ This percentage is based on an analysis of 44 states with complete federal expenditure data in SFY 2022.

¹¹ Rosinsky, K., Williams, S.C., Fischer, M., & Haas, M. (2021). *Child Welfare Financing SFY 2018: A survey of federal, state, and local expenditures*. Bethesda, MD: Child Trends. Available at: https://cms.childtrends.org/wp-content/uploads/2021/03/ChildWelfareFinancingReport_ChildTrends_March2021.pdf