Center for Advanced Studies in Child Welfare

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RESEARCH BRIEF

Adoption, Financial Incentives, and Child Achievement

Purpose of the Study

In 2015, Minnesota equalized post-exit payment levels in adoption or kin guardianship up to the same level as payments in foster care for those aged 6 years and above. This study illuminates how the policy affected the length of the foster care episode, type of exit, foster re-entry probability, and children's later academic success.

Background & Purpose

What role can financial incentives play in children achieving permanency and improving their outcomes following permanency? The match between a child and potential adoptive parents is personal, making it unclear the degree to which increased money can improve children's outcomes. While some children in foster care later reunite with their family of origin, many experience lengthy foster care episodes. When a child transitions out of foster care into a permanent adoption or kin guardianship arrangement, adoption assistance and guardianship assistance payments tend to be either lower than foster care payments or nonexistent, requiring the family to take full financial responsibility for the child. At the same time, states struggle to find safe and supportive permanent homes for children in foster care.

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Increasing payments in permanency should accelerate foster care exit and increase the total flow of money to the child's family. However, effects on children's later human capital outcomes could be positive, null, or negative.

Prolonged exposure to foster care and aging out of foster care are correlated with poor transitions into adulthood (Fernandes-Alcantara, 2019). Accelerating foster exit may mitigate this. Payments could enable low-income families with non-financial resources and the child's interests at heart to take on the responsibility of care, shifting some children away from potential adoptive parents with more private resources but less connection to the child's community of origin. Financial resources might improve child outcomes themselves (Institute of Medicine and National Research Council, 2000). However, such incentives could overpower intrinsic incentives and worsen match quality (Bowles 2016), with negative consequences for the child.

This study uses quasi-experimental methods to estimate causal effects of how a policy raising payments in permanency to equal the payment level in foster care affects:

1. Rate of exit from foster care and probability of exit into adoption and kin guardianship,

2. Child academic achievement years after the start of foster care.

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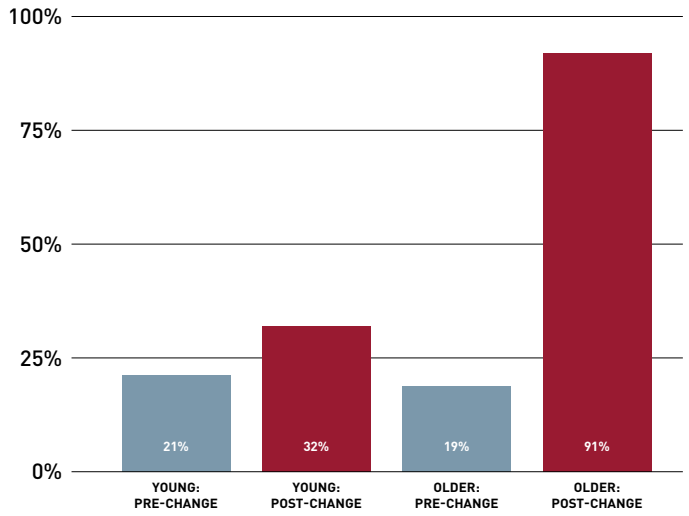
Methods

Minnesota's 2015 Northstar Care for Children reform raised payments in permanency to equal foster care payments for those exiting when age six or older but did not equalize payments for those exiting younger. Through Minn-LInK, we integrated data about payment policies with foster care and education data. Comparing children around this age threshold, before and after the policy, we study the effect of higher permanency payments on immediate child welfare case outcomes as well as child academic achievement three to four years after foster care entry.

Through Minn-LInK, we leveraged information about payment reforms that were part of a January 2015 Minnesota child welfare policy change known as the Northstar Care for Children, or Northstar reform. We integrated information with foster care data (from the Minnesota Department of Human Services' Social Services Information System [SSIS]), educational data (from the Minnesota Department of Education's Minnesota Automated Reporting Student System [MARSS], Minnesota Comprehensive Assessment [MCA], and Disciplinary Incident Reporting System [DIRS]), and mental health data (from Hennepin County Medical Center's Medicaid claims). Northstar was created based on evidence that younger children who were not reunifying had more timely entries into permanent arrangements, whereas older children who were not going to reunify with their family of origin spent too long in foster care. The state government wanted to accelerate integration into permanent family arrangements through adoption or kin guardianship. Before Northstar, the state provided payments when children were in foster care, but when foster care ended and the child achieved permanency through adoption or kin guardianship, payments were significantly reduced and sometimes ended. Policymakers worried the reduction in payments in permanency created unintended disincentives against foster exit.

Under Northstar, the state began a policy of continuing the same level of financial payments to children aged 6 years old and up if they moved from foster care into permanent adoption or kin guardianship (see Figure 1). The reform fully eliminated the payment disparity only for children aged 6 years and older. For younger children, payments in permanency were set equal to half their level in foster care, decreasing but not eliminating the permanency disparity. Consequently, the policy had a much larger effect on caregiver financial incentives for older than for younger children and discontinuously at the threshold of the child's sixth birthday.

Figure 1. Average Within-Child Ratio of Payment in Permanency to Payment in Foster Care, by Child Age and Policy



Note. *Young children were aged 5 and younger at foster care exit; older children were aged six and above at foster care exit.*

Findings

Northstar's payment reform increased the likelihood of older children being adopted or placed into kin guardianship from foster care, decreased the time spent in foster care, and improved their academic outcomes three years after case start.

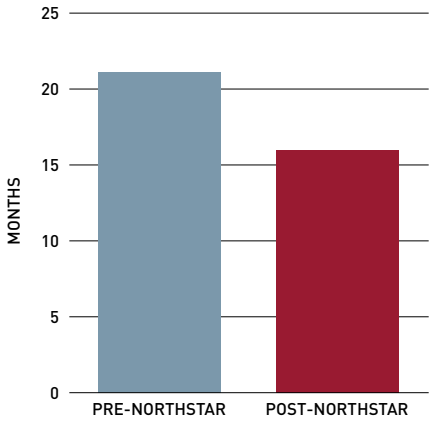
We used a difference-in-differences design across this age threshold to study the effect of higher permanency payments on immediate child welfare case outcomes and child well-being three to four years after foster care entry. We use both Cox proportional hazard models and linear probability models to estimate how the policy changed the hazard of exit from foster care. Our sample consisted of 41,911 children of whom we observe 6,908 with test scores three to four years after foster care entry. We looked at outcomes such as the rate of exit to adoption and kinship care, academic achievement, suspensions, school stability, and use of mental health services.

Northstar Payment Equalization's Effect on Foster Care and Permanency

We first turn to analyses of the policy's effects on adoption/kin guardianship and time spent in foster care. We observe outcomes after the policy implementation through 2019. Using both Cox proportional hazard models and linear probability models, we find the financial

incentives from Northstar's payment reform increased the likelihood of adoption for older children (relative to younger children who were not affected by the reform). The impacts are substantial: after policy enactment, older children are 23%-31% more likely to exit to permanency (i.e., adoption or kin guardianship). Our estimates are robust to not only accounting for children's race/ethnicity, gender, and the reason for being placed into foster care, but they are also robust to separately considering different types of permanent placements (i.e., shifting to kin guardianship care versus adoption).

Figure 2. Expected Foster Months to Permanency by Policy Implementation



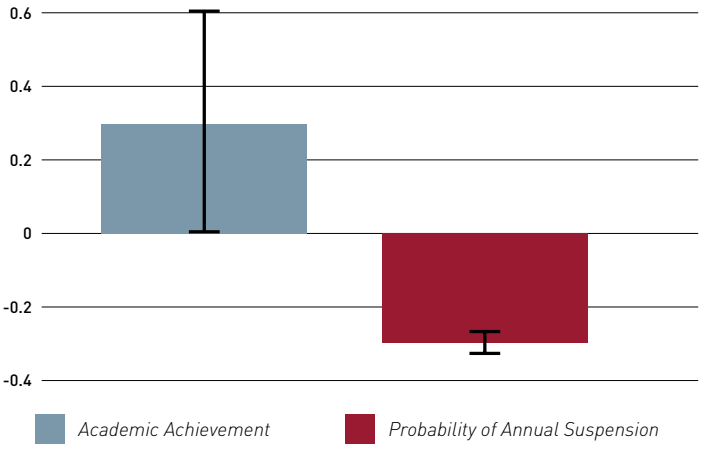
Considering possible, unintended effects from the initiative, we also show there are negligible effects on family reunification. Concurrently, we find evidence of some sorting along the five to six year old age boundary, speaking to relatively small effects from "red-flagging," or the potential for some adoptive parents and kin guardians to delay a child's transition into permanency in anticipation of a greater stream of payments post reform. Ultimately sorting of this kind appears to have delayed only a few cases a few months. On average, Northstar's reform decreased time spent in foster care by 5.2 months (down from 21 months to 15.8 months to permanency; Figure 2). Moreover, we find no evidence that these faster rates of permanency are linked to more fragile arrangements, as we do not observe an increase in the likelihood of re-entry into foster care for older children up to four years after the reform.

Northstar Payment Equalization's Effect on Academic Outcomes

Second, given the initiative's overall focus on children, we likewise consider Northstar's effects on students' academic outcomes, principally captured by scores on standardized math and reading exams. Our research design is a quasi-experiment which isolates causal effects. We find that exposure to the payment reform causes improved academic achievement for impacted children three to four years after entering foster care. As above, our analysis covers the years from 2011-2019. On average, we find test scores increase by 0.31 of a standard deviation, with larger effects on math compared with reading (Figure 3). Further, achievement effects are even greater when we restrict our sample to only students we predict, using random forest models, are unlikely to reunify with their origin families (that is, excluding the share of children who quickly reunify and thus were never much at risk of a notable foster care episode or adoption). For this group, the average test score gain is nearly 0.46 of a standard deviation.

We document positive effects on student outcomes beyond test scores as well, effects that likely interact with student performance and thus may shed light on the mechanisms underlying the improvements in achievement. First, our results show exposure to the policy induced substantial, persistent declines in child behavioral problems, proxied by out-of-school suspensions. In the short-term (one to three years after case start), we estimate a 2 percentage point decline in school suspensions, representing a 11% decline relative to the mean number of school suspensions prior to the policy's implementations. In the longer run (three to five years after case start), we estimate similarly significant declines, at roughly a 3 percentage point decrease in school suspensions (down 21% from the pre-policy mean; Figure 3). Second, by linking student information to Medicaid records, we document some evidence that policy exposure is related to a decline in use of mental health services in the first three years after a child's permanent placement. However, we acknowledge that these results are not robust to including additional control variables and, ultimately, we cannot discern whether any decrease in services sought represents improvements in mental health or loss of access to care. Finally, we highlight that exposure to the reform improves school stability, an outcome especially important given the raised potential for transiency inherent to the child foster care population. At least in the short term, we observe that students affected by the policy attend 0.04 fewer schools per year, a 2% decline in school mobility.

Figure 3. Effect of Northstar Payment Equalization Policy on Academic Achievement and Probability of Annual Suspensions 3-5 Years After Case Start



Note. *Estimates and 95% confidence intervals. Achievement is in standard deviation units. Probability of any suspension in a year is in percentage points. Academic achievement represents standardized Minnesota Comprehensive Assessment math and reading scores and probability of any suspension annually 3-5 years after the start of foster care. CI = Confidence Interval.*

Conclusion

Equalization of payments between foster care and permanency substantially accelerates foster care exit into permanency. We find no evidence that the policy negatively affected the stability of permanent arrangements. This implies a direct benefit to the state of investing in higher payments to kin guardians and adoptive parents. We also document substantial benefits to children years later, with the policy causing large increases in academic achievement three to four years after the foster care episode starts, as well as reduced out-of-school suspensions and school instability.

These findings are evidence that Northstar's payment equalization successfully accelerated and increased the rate of adoptions, with substantial benefits to the child both in terms of leading them into a long-term, stable home and improving their academic achievement. The policy therefore appears successful at eliminating the dis-incentive to adopt caused by lower payments in permanency. Equalizing payments for younger children may bring similar benefits for them.

Limitations

Our study is not a randomized controlled experiment. Difference-in-differences designs provide causal estimates if the outcomes of our comparison children (those younger than six) would have evolved over time in a similar way as older children in the absence of the policy. While we performed a number of tests of implications of this assumption, it is never provable. Specifically, if unobservable characteristics of children were changing at the same time as the policy for children directly below the age threshold relative to those directly above, then our results could be overstated. Further, the difference-in-differences design contrasts outcome changes within observably similar types of cases that are affected differently by the policy change, not changes within child.

We have not yet quantified the additional financial cost to the state of the policy, which would provide important context to the beneficial effects reported here. The possible impacts of adding similar resources for all families or for families of origin merits attention, but it is beyond the scope of this study.

The results also speak to the benefit that additional monetary resources coming into a home can provide a disadvantaged child. Policy makers and child welfare practitioners should keep this in mind when working with families of origin. Additional financial resources might also benefit children reunifying with their family of origin after foster care. Monetary stipends, such as those received by adoptive parents, may even be useful to prevent home removals in the first place.

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