

SPECIAL EXAMINATION • REPORT NUMBER 26-08 • SEPTEMBER 2026

DFCS Out-of-Home Care Spending

Numerous factors led to increase in program expenditures

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Performance Audit Division

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Why we did this review

The House Appropriations Committee requested this special examination of the Out-of-Home Care (OHC) program within the Department of Human Services. The committee asked that we determine the reason(s) for the increase in program expenditures in recent years.

From fiscal year 2022 to 2025, OHC funding increased from $369.9 million to $526.2 million. Supplemental appropriations to address projected shortfalls were common, including an increase of $81.1 million in the amended fiscal year 2026 budget.

About Out-of-Home Care

Foster care is a temporary, out-of-home placement for children who cannot safely remain in their home due to neglect, abuse, or abandonment. It is intended to provide a safe place for children to live until they can safely return to their family, adoptive home, permanent guardianship, or other permanent living arrangement. In Georgia, the Division of Family & Children Services within the Department of Human Services is responsible for the foster care system.

OHC is the budgetary program through which funding is provided for the direct care of foster children. All funding to OHC is paid to providers, including foster parents, child placing agencies, transportation providers, and others. Most administrative costs, including for case managers, is included in the separate Child Welfare program.

What we found

Between fiscal years 2022 and 2025, the Department of Human Services (DHS) Division of Family & Children Services (DFCS) experienced a significant rise in Out-of-Home Care (OHC) expenditures, driven by factors such as increasing child needs, operational shifts, and pressures within the provider environment. DFCS efforts to address costs led to a decline in spending in fiscal year 2026, though average per-child costs continued to rise in some categories.

Spending growth was concentrated in per diems, behavioral aides, transportation, and written waivers.

OHC spending on direct services increased approximately $155 million over the period reviewed (from $366.1 million to $521.5 million). This increase was almost entirely attributable to four categories: per diems (+$47.4 million), transportation (+$41.0 million), behavioral aides (+$37.8 million), and written waivers (+$34.4 million). These trends reflect increased service costs and use of higher placement-level designations, along with greater use of enhanced rates. The costliest 20% of children drove much of the growth, accounting for approximately 70% of the increase. In addition, the number of children with OHC costs above $100,000 increased from 177 in fiscal year 2022 to 729 in fiscal year 2025.

While total spending on transportation, behavioral aides, and enhanced rates decreased in fiscal year 2026, per diem and behavioral aide costs per child continued to rise.

Complex needs and limited placement options helped drive costs.

OHC costs increased due to numerous related factors, including increased spending on children with complex needs. Interviews and data showed increases in autism diagnoses, exhibited behaviors, and placement changes. More children are now in high-cost designations, and there is a greater use of behavioral aides and transportation providers.

Shifts in the placement options likely increased placement challenges and costs. The number of DFCS foster homes has declined since fiscal year 2022, and there are limited options for psychiatric residential treatment facility (PRTF) placements. This has forced DFCS to rely more heavily on higher-cost placements, increased use of group homes, and case-specific contracted providers. Rate increases mandated by the General Assembly in fiscal years 2023 and 2025 also led to higher costs.

Efforts to reduce hoteling and streamline service approvals resulted in unintended spending increases.

By increasing payments and providing additional supports to providers, DFCS successfully reduced the number of children temporarily housed in hotels or DFCS offices (i.e., hoteling) from nearly 1,000 children in fiscal year 2023 to about 300–330 in 2024 and 2025. Despite the decline, average annual costs (i.e., all service costs) for children who had experienced hoteling grew 62%, driven by higher per diems, increased behavioral aide usage, and heavy reliance on enhanced rates to secure difficult placements. Leadership noted that pressure to avoid hotel stays led to the authorization of more services than may have been necessary. It should be noted that the number of hoteled children increased significantly in fiscal year 2026, though it remains well below 2023 totals.

Following the fiscal year 2022 implementation of an automated payment and service authorization system, there was a substantial increase in both the number of approved authorizations (67%) and related expenditures (112%) by fiscal year 2025. After the system rollback in late 2025, expenditures related to service authorizations decreased by nearly $29 million in fiscal year 2026. However, case managers reported that a decline in approvals for the use of contracted providers has increased their workload, including providing more direct services (e.g., transportation) and spending additional time identifying community service providers.

Federal funding sources have specific limitations that constrain use for foster care expenditures.

OHC uses federal Title IV-E and Temporary Assistance for Needy Families (TANF) to fund allowable placements and services; however, each has specific limitations. Title IV-E funding is limited by state income eligibility requirements that have not changed since 1994, required judicial determination language, and a 14-day limit for most group home placements. About one-third of children meet Title IV-E qualifications. TANF funding is capped, subject to rules requiring the state to contribute a certain amount of funding to TANF purposes, and limited to foster care maintenance payments for the first six months a child enters foster care. Foster children are also enrolled in Medicaid for health services, but operational limits and DCH policies—including PRTF capacity and medical-necessity determinations, restrictions on behavioral aides, and access challenges for non-emergency medical transportation—can result in children either not receiving a service or DFCS incurring the costs.

What we recommend

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

See **Appendix A** for a list of findings.

Agency Response: *DHS agreed with the findings but provided additional context for each. The Department of Community Health agreed with the finding that included information about Medicaid.*

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Abbreviations

AFDC	Aid to Families with Dependent Children
AWO	Additional Watchful Oversight
BWO	Base Watchful Oversight
CCI	Child Caring Institution
CPA	Child Placing Agency
DCH	Department of Community Health
DFCS	Division of Family & Children Services
DHS	Department of Human Services
FFPSA	Families First Prevention Services Act
FMAP	Federal Medical Assistance Percentage
FY	Fiscal Year
MOE	Maintenance of Effort
MWO	Maximum Watchful Oversight
OHC	Out-of-Home Care
PRTF	Psychiatric Residential Treatment Facility
RBWO	Room, Board, and Watchful Oversight
SSBG	Social Services Block Grant
SSI	Supplemental Security Income
TANF	Temporary Assistance for Needy Families

Purpose of the Special Examination

This review of the Out-of-Home Care program (OHC) within the Department of Human Services was conducted at the request of the House Appropriations Committee. Our review focuses on the following questions:

- What are the primary cost categories that account for the recent increases of expenditures within the OHC program?
- How has an increase in children with complex needs impacted OHC spending?
- How have recent efforts to end hoteling of foster children impacted OHC?
- How have recent rate changes impacted OHC expenditures?
- How have changes in the availability of selected provider types impacted OHC expenditures?
- How have efforts to improve timeliness of service approvals and payments impacted OHC expenditures?
- What are appropriate uses of federal funds in the OHC program?

A description of the objectives, scope, and methodology used in this review is included in **Appendix B**. A draft of the report was provided to the Departments of Human Services (DHS) and Community Health (DCH) for their review, and pertinent responses were incorporated into the report.

Background

Foster Care Overview

Foster care is a temporary, out-of-home placement for children who cannot safely remain in their home due to neglect, abuse, or abandonment. It is intended to provide a safe place for children to live until they can safely return to their family, adoptive home, permanent guardianship, or other permanent living arrangement. In Georgia, the Division of Family & Children Services (DFCS), a division of the Department of Human Services, administers the Out-of-Home Care (OHC) program to provide safe and appropriate temporary homes for foster children.

A child typically enters foster care due to a report of maltreatment.[1] DFCS case workers investigate the claim, and if substantiated a juvenile court may issue an order for removal. Once the child is removed, court hearings are held to decide whether the child should enter foster care and determine whether the child is legally dependent on the state and should remain in custody. Upon entering state custody, DFCS assesses a child's specific needs.

In most cases, DFCS aims for reunification to preserve and strengthen families that

[1] *Some children may enter foster care for reasons driven by the child and not the parent. For example, a child may enter foster care if they have a medical issue that their guardians cannot address.*

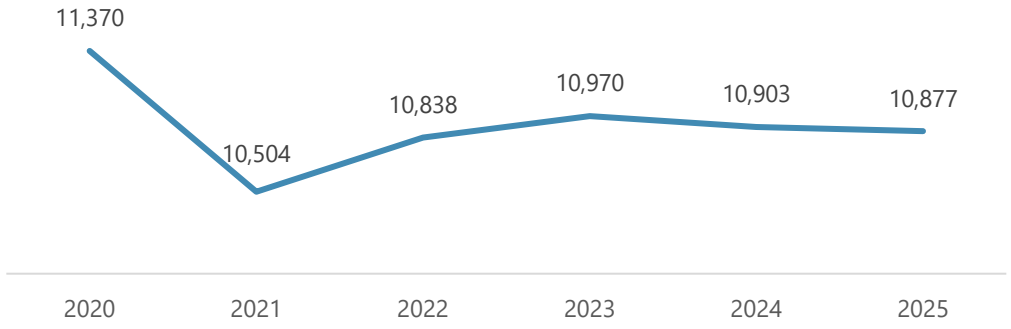
are determined to be safe for children to return. DFCS will establish a case plan[2] with a child's family to eliminate or mitigate safety issues that resulted in the removal. While the child is in DFCS custody, the agency must coordinate safe and appropriate living arrangements that meet each child's individual needs. DFCS policy prioritizes placing children within their community, near their family, and with a relative or committed individual. If this is not possible, the agency will utilize its placement provider network to place the child in a foster home or child welfare facility.[3] Federal law requires states to set goals to locate permanent homes and relinquish custody of foster children to ensure only a state determined number of foster children remain in custody after 24 months.

The state is responsible for the costs of care for children who enter its custody through foster care. DFCS funds direct costs for children's care (e.g., payments to foster parents, assessments, clothing) through the OHC program. In addition, Medicaid coverage[4] for foster children's healthcare is funded through the Department of Community Health.

As shown in **Exhibit 1**, the number of foster children in Georgia declined slightly from 2020 to 2025, remaining relatively stable between 2022 and 2025.[5] It should be noted that these are point-in-time counts; the number of children in DFCS custody over the course of the year would be higher.

Exhibit 1

The number of foster children in Georgia has slightly declined since 2020[1]



[1] Counts represent children in custody as of September 30.

Source: U.S. Health and Human Services Adoption and Foster Care Analysis and Reporting System

DFCS Organization

Georgia's child welfare system is organized into four levels: state, district, region, and county. The state office is responsible for administration and policy direction, while three districts support staff at the regional level by allocating resources and relaying issues to the state office. DFCS has 14 regions (see **Exhibit 2**) with staff to oversee

[2] Case plans must be court approved and outline specific steps the child's guardians must take to address the underlying issues that encroached on the safety and well-being of the child.

[3] According to DFCS policy, the agency aims to place foster children within a 50-mile radius of their community when placement within their community is not possible.

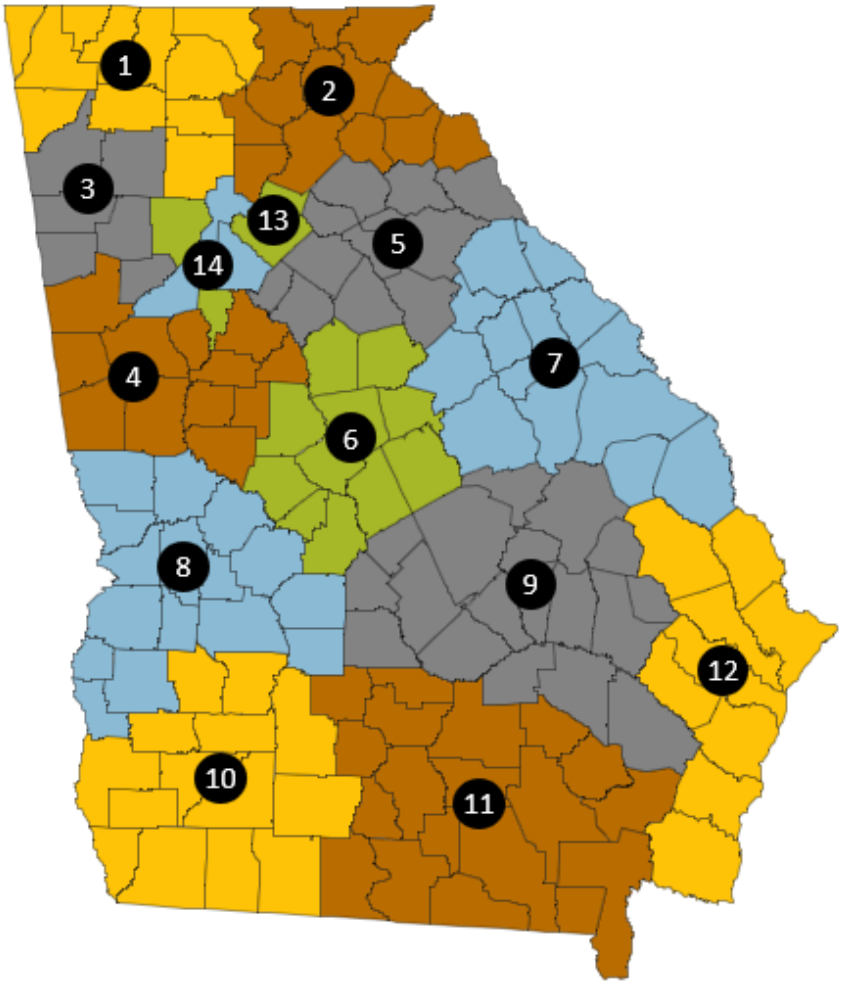
[4] Foster children who do not meet Medicaid citizenship/qualified alien requirements are not eligible for Medicaid coverage.

[5] The number of children in foster care in early August 2026 was 9,930. Counts are typically taken on September 30; DFCS noted the number is typically lower during the summer and increases once school begins due to mandatory reporting for suspected child abuse and neglect.

and support 159 county departments. Region staff serve as subject matter experts for their counties and help to manage issues such as finding placements for children across the region. Region staff also recruit, train, and support foster parents.

Staff at county DFCS offices directly serve foster children. Specifically, case managers provide case management and placement coordination for foster children. This includes participating in court hearings, facilitating family visitation, and helping transport foster children to appointments and placements when needed.

Exhibit 2
DFCS operates 14 regions



Source: DFCS

DFCS Provider Types

DFCS relies on a partner network to provide placement and specialized services for foster children in the OHC program. Placement providers provide housing for foster children and ensure they receive appropriate care and services to meet their needs. DFCS has three main placement provider types, described below.

- **DFCS Foster Homes** – Foster parent homes are approved by DFCS to temporarily care for foster children. Foster parents are expected to

provide for the child's basic necessities (e.g., housing, food, oversight). DFCS directly recruits, supports, and supervises foster parents.

- **Child Placing Agencies (CPAs)** – Child placing agencies coordinate foster home placements for children in foster care. CPAs recruit and support foster parents who serve in a role similar to DFCS foster home parents.
- **Child Caring Institutions (CCIs)** – Child caring institutions provide full-time room, board, and oversight to six or more children ages 12 to 18.[6] CCIs may operate as neighborhood-based group homes, campus-based settings, or self-contained facilities. While the facilities provide adult supervision, the adults are not foster parents.

CPAs and CCIs are placement providers that must adhere to DFCS Room, Board, and Watchful Oversight (RBWO) minimum standards related to housing, food, supervision, and care. RBWO minimum standards are intended to promote positive outcomes and protect the safety and well-being of the child. According to DFCS policy, CPAs and CCIs are monitored annually and randomly to ensure they meet these standards.

DFCS also utilizes specific services from other providers to support foster children. These services may be used to address mental and behavioral health needs such as mental health assessments and counseling or other needs. Two specific services that will be discussed in greater detail in this report are behavioral aides and transportation services.

- **Behavioral Aides** – Behavioral aides are trained individuals who support children and youth with emotional, medical, or behavioral challenges. Some children may require multiple aides depending on the severity of their case. Behavioral aides supervise children without a placement (i.e., those in a hotel) but may also work with children in both group home and foster home settings.
- **Transportation** – Children require transportation throughout their time in DFCS custody (e.g., court dates, relative visitation, medical appointments). While placement providers are expected to provide routine transportation, transportation providers may be utilized in some situations.

Program Designations

Program designations are assigned to children based on the level of care needed. Most of the 14 designations account for a child's emotional, behavioral, medical, and developmental needs, though some focus on other needs such as the development of parenting or other life skills. Designations are only provided for children placed with a CPA or CCI provider and are the basis for the per diem rates paid to the providers.[7]

[6] *Some CCIs can care for youth up to age 21.*

[7] *Children in DFCS foster homes have no comparable program designations, but foster parents may be paid higher rates based on a child's needs.*

The most common program designations in fiscal year 2025 were base watchful oversight and maximum watchful oversight. A list of all program designations can be found in **Appendix C**.

- **Base Watchful Oversight (BWO)** – Approximately 3,343 children in CPA foster homes were classified as BWO at some point in fiscal year 2025. These children have mild medical needs and exhibit moderate behaviors that impact how they socialize with others in normal, unsupervised settings.
- **Maximum Watchful Oversight (MWO)** – Approximately 3,529 children in CPA foster homes and CCIs were classified as MWO at some point during fiscal year 2025. Children in this designation exhibit serious to severe behaviors that impair functioning across all settings, as well as moderate medical needs that warrant additional services. Children placed in CPA foster homes exhibit serious behaviors, while those in CCIs display more frequent and severe behaviors.

OHC Revenue and Expenditures

The DFCS OHC program is funded by a combination of state and federal dollars. Three sources—state funds, federal Title IV-E funds, and federal Temporary Assistance for Needy Families (TANF) funds—represented more than 99% of program funds in fiscal years 2025 and 2026. DFCS staff stated they prioritize the use of Title IV-E and TANF funds for foster children, with state funds used for children not eligible for those federal fund sources and for services not covered (e.g., behavioral aides). Significantly smaller federal funding sources include Supplemental Security Income and the Social Services Block Grant.

OHC program funds are used almost exclusively on direct services for children and families, with DFCS staffing funded through the separate Child Welfare program. OHC funds are primarily spent on foster children in custody, though they may be used for family services intended to prevent children from entering foster care.

As shown in **Exhibit 3**, OHC program funding has increased significantly in recent years. From fiscal year 2022 to 2027, state funds have grown 52% while federal funds have grown 46%. Of the $130 million in federal funds expected in fiscal year 2027, $34.5 million are Title IV-E and $95.4 million are TANF.

Exhibit 3

OHC funding has increased 50% over six years (FY 2022-2027)[1]

	FY22	FY23	FY24	FY25	FY26	FY27
State Funds	$281.1	$322.4	$334.2	$380.8	$449.1	$426.6
Title IV-E Funds	$36.9	$32.9	$32.5	$32.6	$36.6	$34.5
TANF	$51.7	$88.0	$94.9	$109.8	$95.4	$95.4
Other Federal Funds	$0.2	$1.8	$1.1	$3.1	$0.1	$0.1
Total Funds[2]	**$369.9**	**$445.0**	**$462.7**	**$526.2**	**$581.2**	**$556.6**

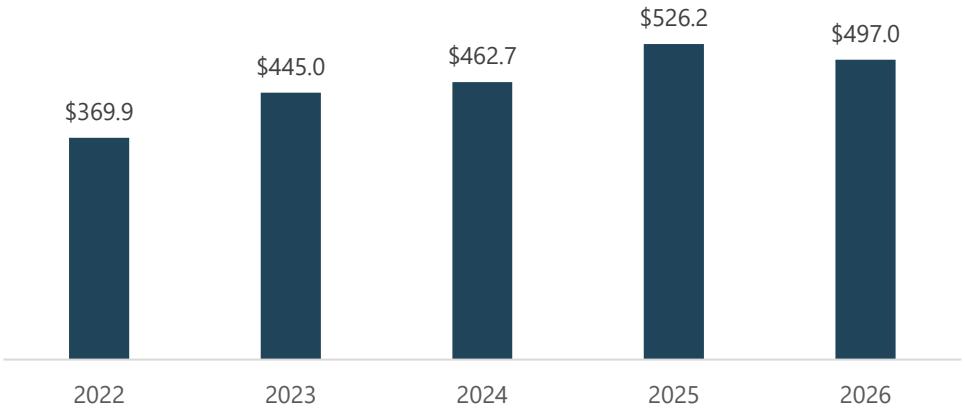
[1] Amounts are in millions.
[2] Total may not sum due to rounding.

Source: SAO Budgetary Compliance Reports (FY 2022-2025), Appropriations Act (FY 2026-2027)

While the number of foster children has remained steady, expenditures increased by approximately $155 million (42%) between fiscal years 2022 and 2025 (see **Exhibit 4**). During this period, the Consumer Price Index inflation was approximately 18%. A few cost categories drove the majority of this increase, as discussed in Finding 1.

Exhibit 4

OHC expenditures increased by approximately $155 million from FY 2022 to FY 2025[1]



[1] Amounts are in millions.

Source: SAO Budgetary Compliance Reports (FY 2022-2025) and TeamWorks data (FY 2026)

As a result of the increasing expenditures, in September 2025 DFCS projected an $86 million program deficit for fiscal year 2026. While approximately $81.1 million in additional state funds were provided in the Amended 2026 Appropriations Act to address the shortfall, DFCS also took steps to reduce spending. DFCS changed its service authorization process, reversed selected rate increases, and ended certain contracts with providers. These steps contributed to fiscal year 2026 expenditures of $497.0 million, which were lower than the prior year and $63.7 million below available funding (unspent state funds are returned to the treasury). DFCS noted that changes to the service payment process may have led to slower invoice submissions by some vendors. If this occurred, the cost of some services rendered in fiscal year 2026 may not appear until the following fiscal year.

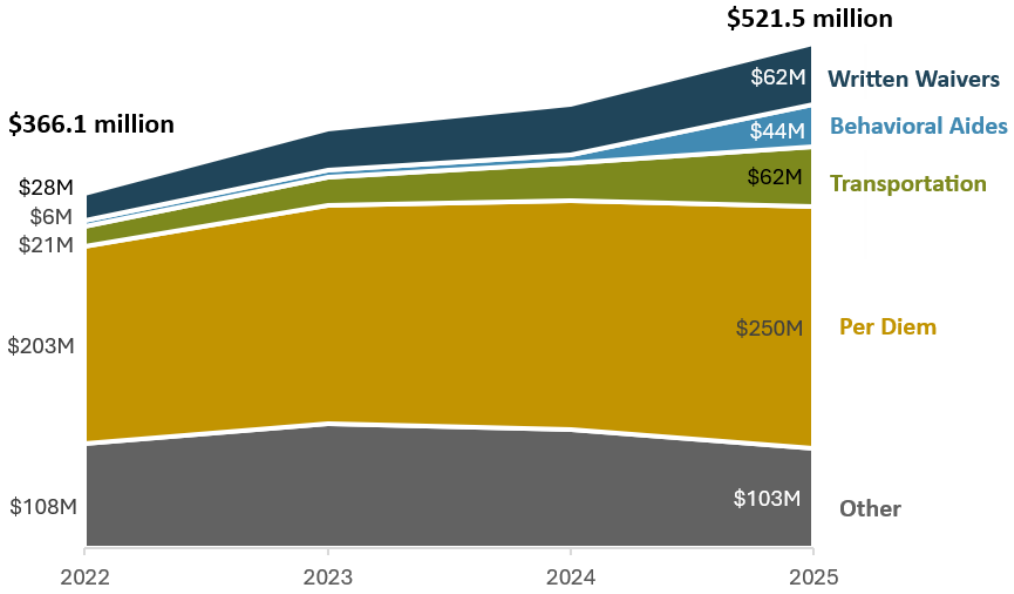
Findings

Finding 1: Out-of-Home Care program expenditure increases are attributable to per diem, transportation, behavioral aides, and written waivers.

Out-of-Home Care (OHC) expenditures for direct services have increased significantly since fiscal year 2022. Most of the increase is related to higher expenditures for per diem, transportation, behavioral aides, and written waivers. These increases appear to result from a combination of interrelated factors, including mandated rate increases, changes to the provider environment and the foster care population, and DFCS practices related to hoteling and service approval/payments.

Between fiscal years 2022 and 2025, OHC direct services expenditures increased by $155 million, from $366.1 million to $521.5 million (see **Appendix D** for more details).[8] As shown in **Exhibit 5**, nearly all of the increase comes from four main categories.[9] The behavioral aide cost category experienced the largest percentage increase, but the largest dollar increase was related to per diems. Each cost category is described below.

Exhibit 5
Increase in OHC spending attributed to four categories (FY 2022-2025)



Source: DFCS financial data

- **Per Diem** – Per diem is a daily rate paid to foster parents to cover a child's living expenses. Rates vary based on the child's needs—for example, the rate for a child with no special needs will be lower than the

[8] *This expenditure analysis does not include state contracts not included in the SMILES financial system data. The contract expenditures ranged from approximately $6.1 million to $6.9 million during this period.*
[9] *The four categories increased by a combined $160.4 million, which is greater than the total increase in OHC expenditures over the period. Other categories, such as supervision and hoteling, decreased over the period.*

rate for a medically fragile child. Per diem expenditures increased by approximately $47.4 million (23%) between fiscal years 2022 and 2025. The average spent per child increased by approximately $4,000, from $16,000 to $20,000. (Some per diem rate costs are likely captured in the written waivers category discussed below. As a result, the actual per diem cost is higher than shown here.)

- **Transportation** – These services are provided when a child needs to be transported to events, such as court, medical appointments, or visitation, that are beyond what is typically provided by some placement providers. Expenditures increased by approximately $41 million (195%) between fiscal years 2022 and 2025, split evenly between payments to transportation providers and mileage expenditures. The cost per person increased by approximately $2,000 ($1,800 to $3,800).
- **Behavioral Aides** – Behavioral aides are trained individuals who provide supervision and support for children facing additional challenges (e.g., health or behavior issues). Behavioral aide expenditures increased by approximately $37.8 million, or 643%. A shift of some behavioral aide costs from the supervision category (i.e., hoteling) to the behavioral aide category contributed to the increase. Per child averages increased by approximately $3,200, from $800 to $4,000.
- **Written Waivers** – Written waivers are central office approvals for services beyond standard practices or a base level program designation (e.g., enhanced per diem rates or MWO designation requests). This expenditure category includes a variety of services, including some for which another category may exist. For example, some enhanced per diem costs may be recorded in written waivers, while others may be captured within the per diem expenditure category. Written waiver expenditures increased by approximately $34.4 million (124%) from fiscal year 2022 to 2025. The average spent on written waivers per person increased by approximately $5,600, from $7,700 to $13,300.

Expenditure increases in these cost categories have occurred due to a number of factors, as shown in **Exhibit 6** and described below. These factors were identified based on interviews with DFCS staff, data reviews, and an examination of DFCS documentation; it should not be considered an exhaustive list.

- **Increasingly Complex Children** – Complex children face certain challenges and thus require additional services, which often include increased transportation, behavioral aides, and a higher level of per diem for their placement. This population appears to have increased in recent years and become more expensive, as discussed in Finding 2.
- **Efforts to End Hoteling** – There has been a statewide effort to end the practice of having children housed in hotels. As discussed in Finding 3, these efforts have decreased hoteling expenditures, but other expenditures have increased.

Exhibit 6
Several factors contributed to expenditure category increases

	Increasingly Complex Children	Efforts to End Hoteling	Provider Environment	Rate Increases	Timeliness of Service Approvals and Payments
Per Diem	✓	✓	✓	✓	
Transportation	✓		✓	✓	✓
Behavioral Aides	✓	✓	✓		✓
Written Waivers	✓	✓	✓		

Source: DFCS interviews, data, and documentation

- **Provider Environment** – As described in Finding 4, a decline in the number of DFCS foster homes and placement challenges for children with higher needs contributed to increases in OHC expenditures. The unavailability of certain types of providers or providers in certain communities can lead to increased usage of higher cost and longer distance placements.
- **Rate Increases** – Higher placement provider rates have driven expenditure increases in multiple categories (see Finding 5).
- **Timeliness of Service Approvals and Payments** – DFCS implemented an automated service authorization and payment process in its new system. As discussed in Finding 6, this led to more services being approved across multiple categories, increasing expenditures. However, the automated process was rolled back in late 2025.

Other potential reasons for cost increases were not reviewed due to time constraints

Given the timeframe for this review, we were unable to review all factors that may have contributed to OHC cost increases.

During the period reviewed, DFCS implemented an automated service authorization system intended to facilitate the approval of services and notify providers of service opportunities (discussed in Finding 6). We did not test system functionality controls but recognize that an increase in authorizations introduces additional risks of approving unnecessary services or making improper payments (e.g., vendors billing for services not rendered). In fiscal year 2026, DFCS significantly reduced the types of services authorized through the system. Through written waivers, DFCS increased per diem supplements and provided additional placement supports (discussed in Finding 3). We gained an understanding of the approval steps but were unable to determine the criteria used to approve requests.

DFCS officials also pointed to examples of courts ordering the agency to provide services that may not already be included in agency practices (e.g., additional visitation, frequent drug testing of parents). They noted that courts also impact DFCS costs in other ways, such as orders that lack the language necessary for DFCS to use federal funds or delays in proceedings or custody determinations that result in longer placements and higher total costs. The change in the impact of court orders over the review period is unknown.

It should be noted that fiscal year 2026 OHC expenditures for direct services decreased by $27 million to approximately $494 million. While per diem expenditures remained relatively consistent, the other main spending categories decreased. Transportation decreased by $14 million, behavioral aides by $2.8 million, and written waivers by $2.2 million. However, average spending per child increased from fiscal year 2025 to 2026 for per diem (by approximately $1,000) and behavioral aides (by $550).

DHS Response: *DHS agreed with the finding. "DHS agrees that per diems, transportation, behavioral aides, and written waivers that increased provider payments led to increased expenditures over the audit period. While the audit team reviewed causation of these categories to caring for increasing complex children, the agency's efforts to end hoteling, the changing provider environment, rate increases, and the timeliness of service approvals and payments, they did not review factors noted on page nine related to court orders due to time constraints although DFCS provided access to SHINES and dozens of specific case examples. Additional analysis would demonstrate the extent judges serve as additional causal drivers to increased expenditures in addition to those noted by the audit team. In addition, an in-depth analysis should be performed from the complete data set of pending, denied, and approved Medicaid claims for children in foster care identifying Medicaid eligible expenses currently paid by DHS utilizing state funds."*

Finding 2: Spending on children with complex needs has increased overall OHC expenditures.

While program spending increased $155 million in the review period, spending on children in custody increased $166 million.

Children with complex needs have relatively high expenditures due to the services they require. Interviews, studies, and other data suggest that the number of these children and their complexity may be rising, although the precise increase within Georgia's foster care population is less clear. However, spending on complex children has clearly increased since 2022, with nearly three-fourths of the program increase for children in DFCS custody attributable to 20% of the children.

There is no single definition of a complex child, but they are generally viewed as facing certain challenges—such as behavioral or physical health issues, Department of Juvenile Justice involvement, and/or multiple placements—that require additional DFCS services and spending.[10] As a result, complex children are more difficult to place than other foster children, resulting in higher per diem costs and a greater use of behavioral aides to assist with supervision needs.

According to interviews and studies, the number of complex children in foster care has increased over time. National studies indicate that the number of complex children has increased across the country. Additionally, DFCS caseworkers and academic researchers reported an increase in recent years. Several other data points suggest an increase in Georgia.

[10] *Other factors that may contribute to complexity include but are not limited to school suspensions, aggressive behavior, trauma, delinquency, intellectual disabilities, sexual aggression, hospitalization (psychiatric facility or other), and run aways.*

- **Diagnoses** – DCH's Medicaid claim data for foster children includes behavioral and physical diagnoses that may indicate complexity. Our review of 38 diagnoses (e.g., autism, depression, and diabetes) did not show an increase in the number of foster children with at least one diagnosis. However, the number of foster children diagnosed with autism—which DHS staff had previously noted often creates placement challenges—increased from 836 in 2022 to 1,414 in 2025.[11]

  In addition, our review of 60 high-cost children in fiscal years 2022 and 2025 found that the average number of diagnoses per child has grown from 1.5 to 2.4. Diagnoses with an increase included autism, disruptive behavior disorder, post-traumatic stress syndrome, oppositional defiant disorder, and others.

- **Per Diem Designations** – Complex needs generally result in a child receiving a high-cost placement designation. From fiscal years 2022 to 2025, increases occurred in placement designations associated with complex children: MWO designations increased by 15% (436 children), PRTF designations by 19% (26 children), and Special Medically Fragile Watchful Oversight designations by 13% (40 children). Base rate placement designations decreased by 5% (228 children).

- **Exhibited Behaviors** – Our file review found a higher number of children with case manager notations for aggression, running away, and assaults.

- **Placements** – Children with numerous placements can indicate challenging needs that some providers cannot meet. In our file review, we found the number of placements per child increased from 2.4 in fiscal year 2022 to 3.2 in fiscal year 2025.

Expenditures can also be used as a metric for complexity—our review of the costliest children in fiscal year 2025 found they frequently have characteristics of complex children.[12] Of the 3,506 children in the top 20% of expenditures, 75% (2,630) were in a placement above the base rate (e.g., MWO, Maternity Homes, or Second Chance Homes); nearly 60% were in the highest MWO designation. Among the 341 only assigned a base rate placement, 307 (90%) had additional expenditures associated with complex children, such as emergency transportation and behavioral aides.

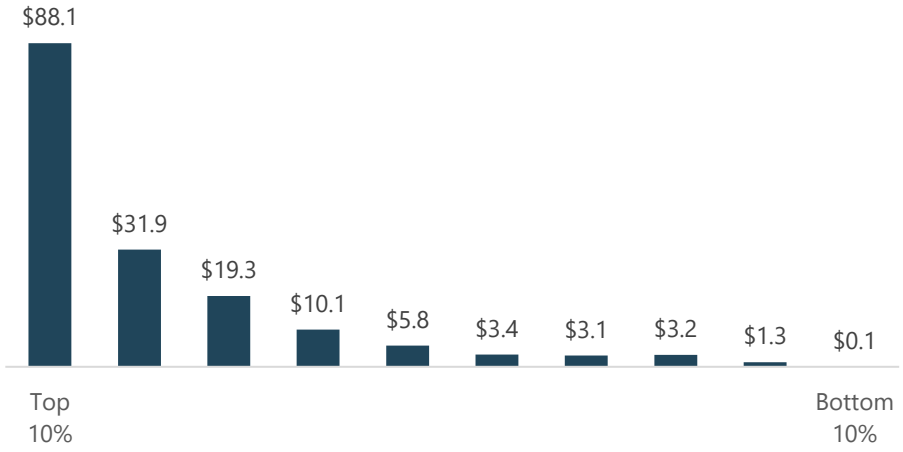
Children in the top 20% of expenditures experienced the highest increase in spending between fiscal years 2022 and 2025, as shown in **Exhibit 7**.[13] This group cost 68% more (approximately $120 million) in fiscal year 2025 than three years earlier, with the average increasing from $57,600 to $84,900 (the average for the top 10% increased from approximately $75,400 to $116,600). The top 20% of children accounted for 72% of the OHC spending increase for children in custody.

[11] It should be noted that DFCS is expanding a regional autism screening program to detect undiagnosed cases in foster children.

[12] Our analysis of costliest children is limited to those on a custody list. This excludes children with records sealed by a court (e.g., due to adoption). As a result, the expenditures in this analysis do not equal the amounts shown in Finding 1.

[13] This increase is greater than the total increase in OHC expenditures over the period because of a decrease in spending for other populations (e.g., parents and other guardians).

Exhibit 7
Children in top expenditure levels experienced the highest increase in spending (FY 2022-2025)[1]

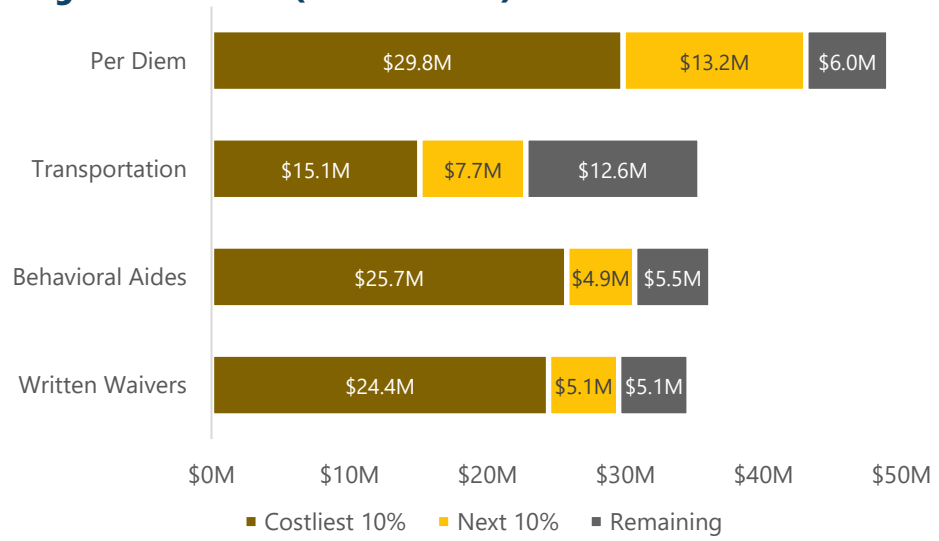


[1] Amounts shown in millions.

Source: DFCS financial data

To varying degrees, the costliest children also drove the increases in the four categories shown in **Exhibit 8**. For example, per diem expenditures for the top 10% of children increased by nearly $30 million, or 64% of the $47 million increase for the category. By comparison, increases were only $6 million for the lower 80% of the child population. Compared to the other categories, transportation needs were more distributed throughout the foster child population, resulting in the top 20% having less impact on growing transportation costs.

Exhibit 8
Most expensive children accounted for largest expenditure increase in categories reviewed (FY 2022-2025)[1]

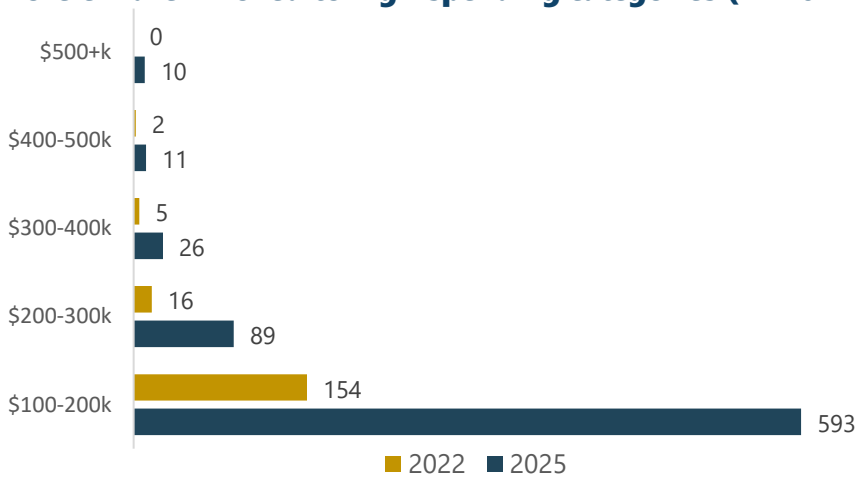


[1] A shift of some behavioral aide costs from supervision (i.e., hoteling) to the behavioral aide category contributed to the increase, as described in Finding 3.

Source: DFCS financial data

As shown in **Exhibit 9**, significantly more children had annual expenditures above $100,000 than in fiscal year 2022. Children with costs above $100,000 grew from 177 children (6%) in fiscal year 2022 to 729 children (17%) in fiscal year 2025. Three children had costs above $900,000 in fiscal year 2025.

Exhibit 9
More children moved to high-spending categories (FY 2022 & 2025)



Source: DFCS financial data

DHS Response: *DHS agreed with the finding. "DHS agrees that children with complex needs have increased the cost of care. While currently no single definition exists for complex, all of the factors provided in the DHS context of complex to the audit team describe attributes of the child's behavior presentation and medical diagnosis not court status, parent compliance to the case plan, or DHS management of costs. An unknown amount of costs stem from court orders alone, as well as instances where Medicaid or juvenile justice agencies do not cover what DFCS, the child's providers, or courts deem to be important or necessary care. Over the last few years, the Department has provided public testimony on several occasions that DFCS was serving more families with complex children and costs were increasing, certainly prior to release of the projected deficit."*

Finding 3: The use of hoteling has declined, but costs to reduce hoteling are high.

The number of children hoteled has declined significantly from a fiscal year 2023 peak of nearly 1,000. Despite this, expenses associated with children who have experienced any hoteling remain high due to costly per diem rates and supports provided to obtain placements for these children. It should be noted that the number of hoteled children increased in fiscal year 2026, though it remains well below 2023 totals.

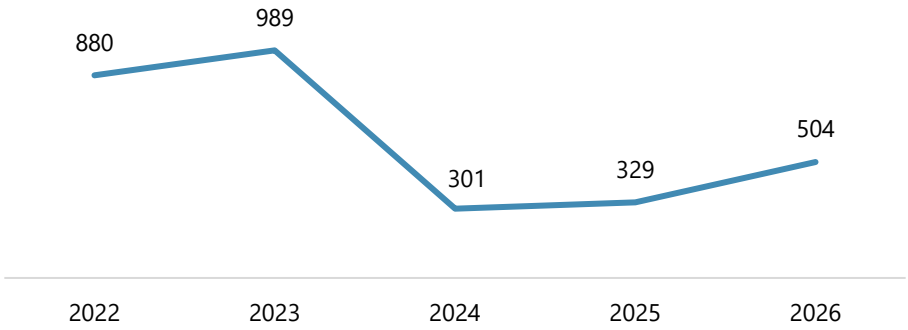
Hoteling occurs when children are placed in a hotel or DFCS office while they await a specialized placement consistent with their needs. Typically, these children have complex challenges such as autism, low IQ, or severe behavioral or physical health

challenges. Hoteling is considered an inappropriate placement option—even temporarily—because children are less likely to receive necessary services until they are in stable housing. Additionally, hoteling can cost more than $2,000[14] per 24-hour time period, which is more expensive than any other child placement.

In recent years, DFCS has attempted to reduce hoteling with various policy changes. In 2015, it established a policy that indicated hoteling should be avoided and tracked when it occurs and required regional directors to approve any instance of hoteling in 2023. In 2022 and 2023, DFCS adopted rate enhancements and one-time payments for placement providers that took children who had been or were at risk of being hoteled.

According to DFCS data, the number of children spending at least one night in a hotel has decreased by 49% since 2023, from 989 to 504. The median days of each hotel stay also decreased from approximately 12 to 7 during this same time period. Hotel charges also decreased from approximately $4 million to $2.5 million. As shown in **Exhibit 10**, hoteling was at its lowest levels in 2024 and 2025 (300-330); however, the number increased in 2026.

Exhibit 10
Hoteling of DFCS children has decreased overall since FY 2023[1]



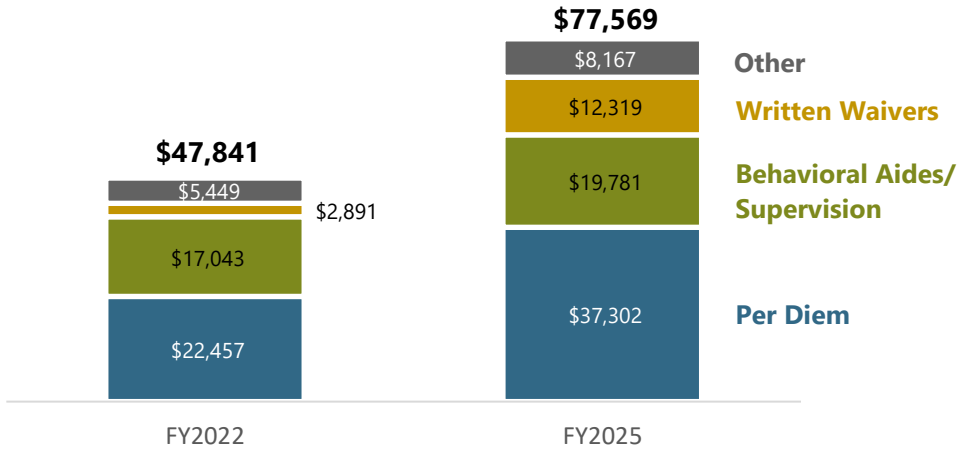
[1] The data provided by DFCS for this analysis had limitations in terms of unique identifiers and could include children with the same name counted as a single child. Furthermore, a misspelling of a child's name could result in a single child being counted more than once.

Source: DOAA analysis of data reported by DFCS

Though hoteling expenditures decreased, average costs associated with children who were hoteled at some point between fiscal years 2022 and 2025 increased. In 2022, spending per child was approximately $47,800 but nearly $77,600 in 2025 (see **Exhibit 11**). As described below, spending increased most significantly for per diems and written waivers to provide enhanced rates, and less significantly for behavioral aides/supervision. The average expenditure for this group through the first eight months of fiscal year 2026 was on track to exceed the 2025 amount (approximately $86,500).

[14] This is based on the cost of the hotel and having two behavioral aides supervising the child during the 24-hour time period. By comparison, the per diem enhanced rate of $344 was enacted for placement of children who had been or were at risk of being hoteled.

Exhibit 11
Average annual spending cost for children who experienced hoteling increased by 62% between FY 2022 and FY 2025



Source: DFCS financial data

- **Per Diems** – Since fiscal year 2022, the average annual per diem payment for the hoteled population increased by 49%, from $22,500 to $37,300. This is due to a combination of increased per diem rates across DFCS and a likely increase in utilization of placements with higher per diem rates (discussed in Finding 5).
- **Enhanced Rates/Written Waivers** – Placement providers have received enhanced and daily supplements above the standard rate schedule for accepting challenging children, including those who have been or are at risk of being hoteled. Average expenditures for these "written waivers"[15] for hoteled children increased from $2,900 per child in fiscal year 2022 to $12,300 in 2025. According to DFCS, the use of enhanced rates for placements ended in fiscal year 2026.
- **Behavioral Aides/Supervision** – Average expenditures on behavioral aides/supervision for children who had been hoteled increased by 16%, from $17,000 in fiscal year 2022 to $19,800 in 2025. DFCS central office and case managers indicated that placement providers had increasingly requested additional behavioral aides or more hours from behavioral aides as a condition for accepting these children.

Senior DFCS leadership stated that efforts to reduce hoteling led to more requests from placement providers and more DFCS approvals than may have been necessary. As a result, the higher usage of rate enhancements and behavioral aides likely spread to DFCS children who had never been, and may never be, hoteled. Written waivers and behavioral aide/supervision expenditures increased by a combined $63.5 million across all DFCS children from fiscal year 2022 to 2025.

[15] *According to DFCS staff, enhanced and daily supplements appear as written waivers in the DFCS financial system. DFCS staff noted that while written waivers are primarily used for additional rates above the set per diems, this flexible category can include expenditures for which another expenditure category does not exist.*

DHS Response: *DHS agreed with the finding. "DHS agrees that efforts to end hoteling have increased expenses incurred in order to properly place and care for children ordered into state custody."*

Finding 4: Changes in the provider environment have likely contributed to increases in OHC expenditures.

OHC expenditures were likely impacted by a relative decline in DFCS foster care homes and limited placement options for children with higher levels of need. Changes in the provider environment can lead to increased reliance on higher-cost placement types, placements farther from a child's home, and the use of expensive case-specific contracted providers.

As previously discussed, DFCS has three primary provider types[16] for foster care placements:

- DFCS foster homes are licensed and supervised directly by DFCS;
- Private child placing agencies (CPAs) recruit, train, and supervise foster parents who provide family-based care (similar to DFCS foster homes); and
- Child caring institutions (CCIs) provide residential congregate care (i.e., group homes), generally for children requiring more specialized services.

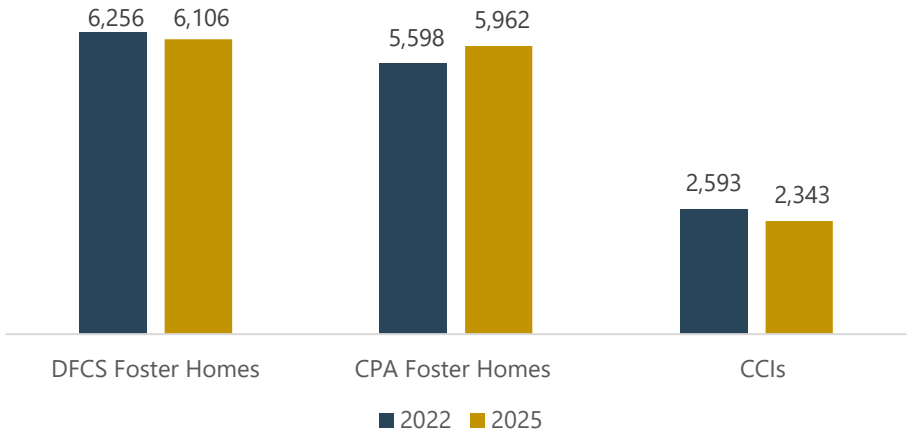
The DFCS SHINES information system is designed to allow case managers to identify current options for children in need of placement; however, there are system limitations when attempting to determine provider trends in prior years.[17] In years that a foster home's approval status has changed, reports do not consistently capture the home's provider type (DFCS or CPA) or its availability for certain age groups. Additionally, historical information on the number of CCI providers was not available. As a result, we were unable to determine the precise number of providers, by type, available for placements each fiscal year.

Reliable data on the historical placements of children is available. Children are increasingly placed in CPA foster homes instead of DFCS foster homes, as shown in **Exhibit 12**. While specific numbers are not available, trends in the provider data and interviews with DFCS state office personnel indicate that the number of DFCS foster homes has declined in recent years and the number of CPA foster homes has increased. Additionally, expenditure data shows that the number of CCIs utilized declined slightly.

[16] DFCS and CPA foster homes also include those associated with a kinship place (i.e., relative or other adult with close family connections). These providers are associated with a specific child (or children) and may not accept other placements. Additionally, qualified residential treatment facilities (QRTPs) are a new CCI program designation with a trauma-informed treatment model to meet the needs of children with serious emotional and behavioral disorders that exceed the capacity of the three primary provider types. The facilities serve children who are not in need of a PRTF or who are leaving a PRTF. As part of a pilot program, DFCS has one QRTP that is at its capacity of 20.

[17] The SHINES data is largely reliable for determining broad trends but not for the specific number of available homes in a year. While it is possible to pull a list of foster homes from prior years, it is difficult to determine the status of some homes that opened or closed during the year reviewed.

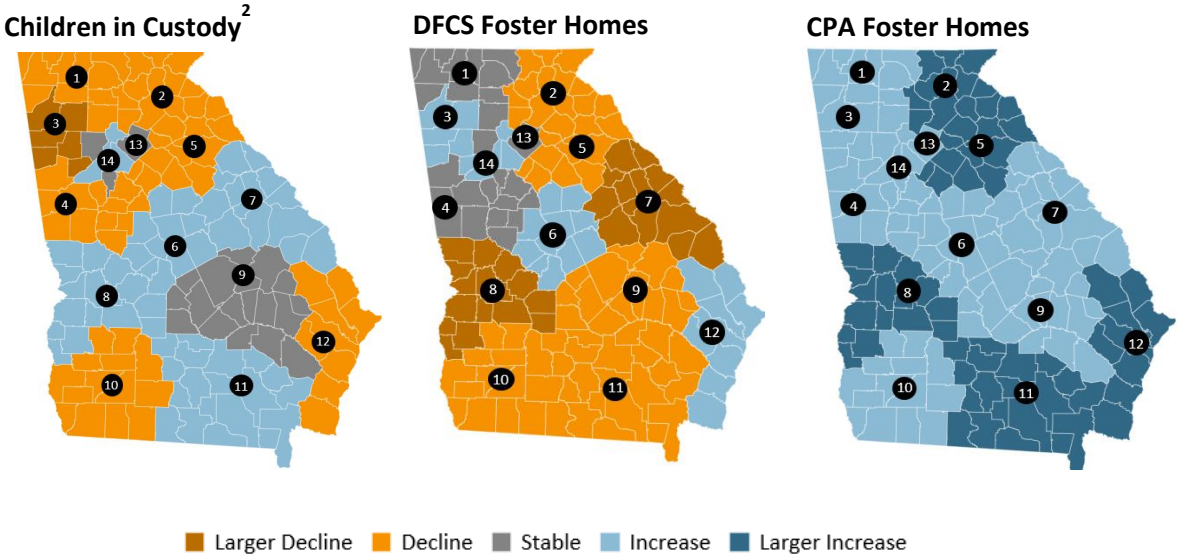
Exhibit 12
Number of children served by CPAs increased (FY 2022-2025)



Source: DOAA analysis of SMILES financial data

Providers' location and the children they will accept can also impact DFCS costs. Historical data on the preferred age of children by provider was not reliable, but DFCS officials frequently noted the difficulty in identifying placements for teenagers. Despite data limitations discussed above, trends in provider locations suggest increases in CPA foster homes in all regions and a decline in DFCS homes in about half of the regions (see **Exhibit 13**). In some regions, the increase in CPA foster homes may offset reductions in DFCS foster home capacity (e.g., southern and eastern regions where children in custody increased). Historical information on the location of CCIs was not readily available to conduct a regional analysis.

Exhibit 13
DFCS foster homes declined while CPAs increased across most regions (FY 2022-2025)[1]



[1] Data limitations do not allow for a precise count of providers by year, but the data was deemed sufficiently accurate to report trends.

[2] Counts represent the change in children in custody between September 30, 2022 and September 30, 2025.

Source: DOAA analysis of DFCS data

In addition to these primary provider types, foster children may require special placements for residential behavioral health services in a PRTF. As discussed in more detail on page 30, Georgia has only six PRTFs that serve children from Georgia or other states and who may be covered by private insurance, Medicaid, or another source. DFCS officials noted that placements are often difficult to obtain due to a combination of providers not having a bed available for a foster child and the Medicaid program not authorizing the service. (DCH reported that 90% of requests received in fiscal year 2025 were approved, though that does not mean a bed was available for placement).

Limited provider availability can make it more difficult for DFCS to place foster children near their families and in the same community. It can also increase OHC placement expenditures, as detailed below.

- **Fewer DFCS foster homes over time can increase reliance on higher-cost CPA placements** – DFCS foster homes and CPAs both provide care in a family environment; however, CPA placements include both the child's per diem and an administrative payment to the agency, which increases OHC expenditures. For example, a three-year-old child with basic needs has a per diem of only $28.63 in a DFCS foster home; the same child has a per diem of $54.66 in a CPA foster home. It should be noted that CPAs perform case management duties as part of their costs; these duties are performed by DFCS case managers when a child is placed in a DFCS foster home.
- **Fewer available providers in an area may result in placements farther from a child's home and increase transportation costs** – Available data does not readily identify the extent to which children are placed outside their region or county. DFCS case managers noted they have had to place children in other regions due to limited availability (our limited file review found that 35 of 60 high-cost children were placed more than 50 miles from their home county). As a result, a child's transportation needs and associated costs will increase.
- **Limited availability of approved placement options may increase reliance on case-specific contracted providers** – When placement providers in the contracted network are unavailable or unwilling to accept a child, DFCS may establish a case-specific agreement with a provider to serve a child. Case-specific placements generally involve children with complex needs, including behavioral. Between fiscal years 2022 and 2025, the number of foster children requiring a case-specific placement increased from 176 to 375. Per diem expenditures for these children increased by nearly $19 million (276%), from $6.8 million to $25.6 million. Transportation costs will also increase when agreements are with out-of-area or out-of-state providers.
- **Lack of PRTF beds can impact placement costs** – When this treatment option is unavailable, children are likely to remain in high-cost placements that do not provide the needed treatment. These include

hotel stays, high-cost MWO placements, or case-specific placements with non-contract providers in or out of state.

DHS Response: *DHS agreed with the finding. "DHS agrees that a robust provider environment is necessary to meet the individual needs of children in foster care. While not noted by the audit team, kinship and fictive kin placements remain the most preferred, and prioritized, placements for children in foster care due to their demonstrated improvement of outcomes and connection to the child. These placements, however, are individual to the child and can't be transferred across cases or counties, and they may decline without community supports and assistance of agencies charged with delivering community-based services for both increasingly complex children and their families. The court may find that a placement is unsuitable and order specific services and support, including financial support to a caregiver. Providers increasingly cite skyrocketing insurance premiums and the lack of available options to buy insurance as basis for why they cannot take more complex children, provide wraparound services and support as previously negotiated, or otherwise assist the department."*

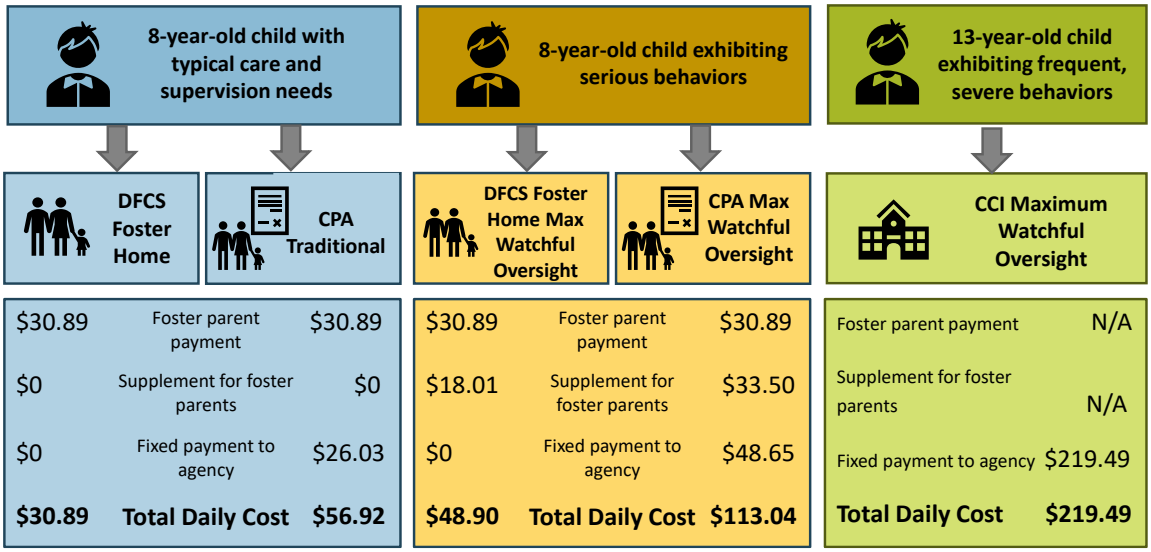
Finding 5: Recent rate changes, more children in higher-cost placements, and increased use of enhanced rates have contributed to higher program costs.

A significant portion of the increased OHC program costs can be attributed to higher rates paid to placement providers over the period reviewed. The General Assembly increased per diem rates twice, and changes in placement types and the use of enhanced rates also resulted in higher spending. The precise amount of the increase attributable to rates is unknown due to data limitations related to enhanced rates.

Rates are the established amounts paid to providers that deliver services related to foster children's care. Family foster care parents who work directly with DFCS receive a per diem rate to support a child's care. For children served through a CPA, the DFCS payment includes a fixed amount for the agency's administrative cost, plus an amount for the foster parent. Finally, CCIs are paid a single amount to cover per diem-related costs.

DFCS has established rate categories based on the level of supervision, support, or specialized services required for the child (see **Exhibit 14** for examples and **Appendix E** for full rate schedule). Children with few needs are placed in a traditional or base designation, while children with higher needs are placed in other designations, such as additional watchful oversight or the highest level (MWO). Providers may also receive enhanced rates or other supplements above the established schedule amounts when they contend the child requires a higher level of care than is typical for the designation. A DFCS-commissioned study found that the actual rates paid varied across regions and provider types and the current method to determine a specific child's rates was not well structured (see text box on the next page for more discussion of the study).

Exhibit 14
Examples of per diem rates for placement providers (FY 2025)[1]



[1] Rates shown in this table are examples of per diem amounts for some program designations but do not reflect all designations. CPA and CCI per diem rates include the administrative costs provided by the placement provider. Administrative costs related to DFCS foster homes, such as caseworker salaries associated with managing foster care placements, are not included in the OHC program.

Source: DFCS documentation and interviews

Between fiscal years 2022 and 2025, the General Assembly has implemented two per diem rate increases: 10% in fiscal year 2023 and 3% in 2025.[18] For example, payment to a foster care parent of a five-year-old increased by $3.36, while a CCI MWO received an additional $25.76. These rate changes increased expenditures by $27.4 million, which represented 58% of the $47.4 million per diem increase between fiscal years 2022 and 2025.

DFCS is developing standardized methodology to align per diem rates with the cost of care

DFCS has contracted with a third-party vendor to develop a standardized methodology for establishing per diem rates based on the cost of meeting a child's needs. Establishing a rate based on actual provider costs would allow the state to distinguish room and board from additional staffing, supervision, and services required for watchful oversight (the component that increases with child complexity). As part of the study, a standardized assessment to determine a child's appropriate placement level will be developed.

The study is intended to create more transparent and defensible rates, reduce the use of enhanced rates, and ensure payment amounts are based on the expected cost of care rather than the ability of individual providers to negotiate. In addition, when room and board are decoupled from other direct services within the rate, it is possible to bill Medicaid for those that are health-related (e.g., supervision attributable to autism). Officials expect the rate cost estimate work to be completed by the end of 2026, with development of the standardized assessment to follow.

[18] *Two additional rate changes occurred between fiscal years 2022 and 2025 but had limited impact on overall OHC expenditures. In fiscal year 2023, the annual clothing allowances rate increased by 66% (from $415 to $690); however, annual clothing expenditures increased by approximately $46,000 (3%) between fiscal years 2022 and 2025. In January 2025, the mileage reimbursement rate decreased from $0.70 to $0.67 per mile; this reduced mileage costs by approximately $853,000 (4%) during the second half of fiscal year 2025.*

Placement costs are affected by both the type of provider and the level of care required by children. Changes in the provider environment and the foster child population increase expenditures, as described below.

- **Placement Provider Type** – As discussed in Finding 4, limited provider availability can lead to higher-cost placements. Between fiscal years 2022 and 2025, the number of children served in a DFCS foster home decreased by 150 (2%), while the number of children served by CPAs increased by 364 (7%). As shown in **Exhibit 14**, rates vary significantly across different provider types.
- **Shifts in Program Designation within RBWOs** – Children in higher program designations receive higher per diems, and the number of children in these placements has increased. Between fiscal years 2022 and 2025, the number of children in the MWO designation increased by 369 (13%), while the number of children served in the BWO designation decreased by 158 (4%). This indicates more children now require higher levels of care.

DFCS has also provided enhanced rates for providers with children requiring higher levels of care. DFCS and CPA foster parents may receive supplements for children whose care demands additional time and skills of the foster parent. Additionally, in fiscal year 2022, the division authorized enhanced rates for CCIs caring for children with an MWO designation who otherwise may have required placement in a hotel, DFCS office, or PRTF. DFCS staff reported that the CCI enhanced rates ended in fiscal year 2026.

Due to data limitations, we were unable to determine the number of children for whom an enhanced rate had been paid or the total amount expended on enhanced rates between fiscal years 2022 and 2025. Expenditures for enhanced rates may be present within a per diem or written waiver cost category; however, they are not clearly identifiable in either. In particular:

- Per diem expenditures increased by $20 million beyond rate increases previously discussed. It is unclear what portion is attributable to enhanced rates or changes in program designations (e.g., increases in utilizing MWO designations).
- The written waiver cost category increased by $34.4 million during the period reviewed. DFCS staff indicated that while this category includes various expenditures for which no category exists, enhanced rates represent a substantial portion of written waiver expenditures.

DHS Response: *DHS agreed with the finding. "DHS agrees that increased required expenses led to rising program budget costs. Appropriate action should always be taken to provide for the care of children in state custody. Efficiencies could be enhanced with access to critical Medicaid claims and payment data in GAMMIS with a modernized case management system integrated with key external systems."*

Finding 6: The agency's shift to a new service authorization and payment system likely increased authorizations and expenditures.

There was a significant increase in service authorizations and associated expenditures following the implementation of the DFCS electronic service authorization and payment system. The automated service authorizations were discontinued in November 2025 in an attempt to save money and better ensure that services were necessary and provided by appropriate providers.

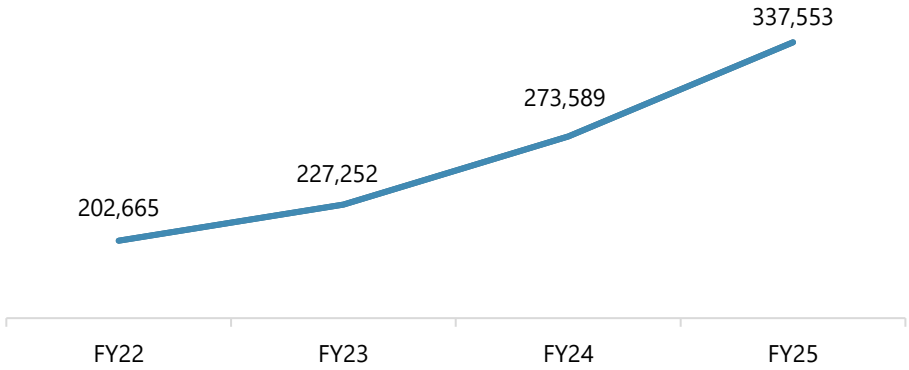
Service authorizations are approvals that case managers obtain from DFCS to provide direct services for children they serve. In fiscal year 2025, the most common approved service authorizations included transportation, mileage for supportive services, and behavioral aides.

To obtain an authorization, case managers would historically create a manual request and submit it to a supervisor for approval; after approval, case managers would seek an approved provider to provide the service. Not all service authorizations result in a corresponding service and expenditure; for example, case managers may seek more transportation services for a child than ultimately needed or a child may leave foster care or change placements before utilizing services that were authorized.

In fiscal year 2022, DFCS implemented an electronic service and authorization system (ARGO) in an effort to more easily pay providers for services rendered. Case managers could submit requests for service authorizations through the system; following approval, potential providers would automatically be notified and given the opportunity to provide the approved services.

According to DFCS staff, the shift to ARGO had an unintended consequence of increasing the number of approved service authorizations. As shown in **Exhibit 15**, the number of service authorization approvals increased by 67%, from just over 200,000 in fiscal year 2022 to nearly 340,000 in 2025.[19]

Exhibit 15
Service authorizations increased 67% (FY 2022-2025)

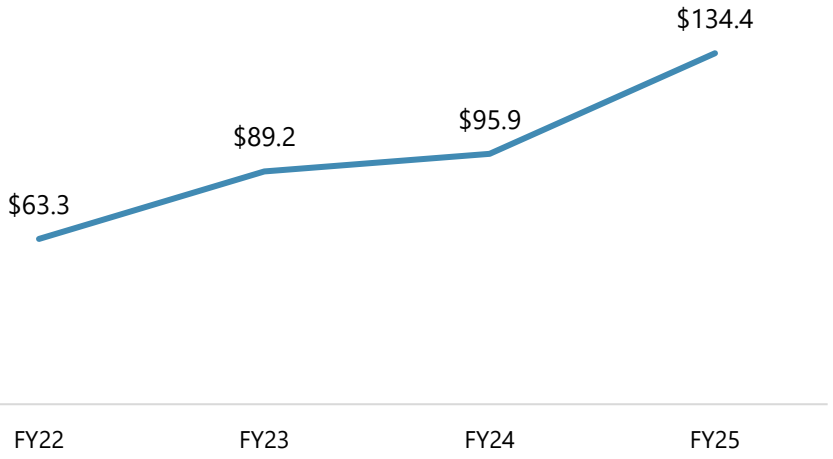


Source: DFCS data on ARGO service authorizations

[19] *There is no available data on service authorizations prior to ARGO; as such, it is not possible to include the number of service authorizations before the system change in our trend analysis.*

As shown in **Exhibit 16**, expenditures associated with service authorizations[20] increased by 112%, from $63.3 million in fiscal year 2022 to $134.4 million in 2025. The three services with the largest increase in expenditures included behavioral aides ($37.8 million), mileage for supportive services ($21 million), and transportation ($19.8 million).

Exhibit 16
Expenditures associated with service authorizations increased 112% (FY 2022-2025)



[1]Amounts are in millions.

Source: DFCS financial data

In response to the budget deficit and concerns over the rise in service authorizations and spending, the role of ARGO was reduced in November 2025. DFCS shifted back to a process in which most service authorizations[21] are submitted to the county director and regional director for review and approval. Impacts of the change include:

- DFCS staff and case managers reported greater use of community providers and Medicaid for needed services. This has likely led to program cost savings in fiscal year 2026, though case managers noted it does take more staff time than submitting requests through ARGO. In addition, relying on community service providers or other non-profits may not be sustainable.
- According to DFCS, the changes have reduced unnecessary service authorization requests. Central office staff stated case managers were more likely to obtain service approvals "just in case" the service was needed or for many months even when the expectation should have been a decrease in usage over time. These approvals may have led to an increase in the use of such services. Central office and case managers also acknowledged that some placement providers likely obtained approval

[20] This is total expenditures for the types of services that require a service authorization, such as transportation, behavioral aides, and counseling.
[21] There are exceptions to the manual service authorization process, including for transportation of a child to court, comprehensive child and family assessment plans of safe care, DNA testing, kinship evaluation, home study and safety evaluations, provider/expert court testimony, certified drug screens for court evidence, and drug screens for CPS investigations to address safety concerns.

for unnecessary services, with DFCS's reluctance to use hotels giving providers additional leverage in negotiating services. Placement providers are expected to provide oversight and certain transportation for their children, and DFCS acknowledged that behavioral aides and transportation providers were likely provided in cases that were not necessary.

- Case managers noted a concern that while service authorizations were too readily obtained before, needed services have now become too difficult to obtain in some cases. As a result, case managers are more likely to provide services such as transportation themselves. A majority of case managers we interviewed noted challenges with balancing these service provisions with their existing workload (e.g., visits with children, administrative work). A consequence of higher workloads could eventually be higher turnover among case managers. Case managers also noted that the difficulty of obtaining approvals for behavioral aides makes it more difficult to maintain challenging placements.

The rollback of ARGO and changes to service approvals appears to be reducing expenditures. Total spending on service authorization related categories decreased by 21% ($28.7 million) in fiscal year 2026. Behavioral aide expenditures decreased by $2.8 million, mileage for supportive services by $5.3 million, and transportation by $10.9 million. DFCS noted that as a result of changes to the service payment process, providers may not have yet sent invoices to DFCS for services rendered in fiscal year 2026.

DHS Response: *DHS agreed with the finding. "DHS agrees and believes timely payment to providers that serve children in foster care is necessary to maintain robust provider options and implemented a modern service authorization system to meet that goal. The budget set for the Out of Home Care program does not accommodate the rising service authorization trend and expenses noted by DHS staff and confirmed by the auditors, but DHS is continuing to review potential system adjustments to achieve timely payment within budget. While the implementation of Argo resulted in some authorizations for services that may have been delivered through other means, the system also revealed actual, ongoing needs previously masked by past years of strategic budget maneuvering by agency leadership and delayed payments to providers."*

Finding 7: Foster children are supported by multiple federal fund sources, each of which has specific purposes and limitations.

Federal funds are used to support foster children's daily living needs, including healthcare. DFCS prioritizes the use of federal funds—primarily Title IV-E and Temporary Assistance for Needy Families (TANF)—to cover allowable OHC expenses prior to relying on state funds. DFCS also leverages the federally supported Medicaid program to cover medical costs that would otherwise be paid by the state.

In fulfilling its mission, DFCS relies on Title IV-E and TANF to support the OHC program. Both federal funding sources are used for foster care maintenance payments, but only TANF can cover additional services and payments. While Medicaid does not directly fund the OHC program, most foster children have Medicaid coverage for healthcare expenses. As described in **Exhibit 17** and the discussion below, the three federal funding sources have varying eligibility requirements, allowable uses, and limitations. The limitations result in DFCS using a significant portion of state funding to support foster child expenses.

Exhibit 17
Multiple federal programs support foster children

	Out-of-Home Care		Medicaid
	Title IV-E[1]	TANF	
Eligibility	Judicial determinations, dependency, AFDC standards, and placement requirements	Legally placed in DFCS custody	Low income, categorically eligible groups
Uses	Foster care maintenance payments (e.g., food, clothing, shelter, daily supervision)		Health services (e.g., inpatient hospital, outpatient hospital, lab and X-ray, prescription drugs, physician services, non-emergency medical transportation, and others)
		Additional services (e.g., transportation & mileage, court appearance/testimony, screenings) Other (e.g., guardianship subsidy payments, relative care subsidy payments)	
Limitations	Fixed AFDC income standards Required language in judicial determinations 14-day limit on CCI placements	Foster care maintenance payments limited to a maximum of six months MOE requirements to retain access to funds	Operational challenges associated with certain services used by foster children (e.g., behavioral aides, PRTFs, and medical transportation)
Funding Type	Open ended entitlement – uncapped federal funding; increases based on number of eligible individuals and costs	Fixed block grant – capped federal funding; remains fixed regardless of number of people who qualify	Open ended entitlement – uncapped federal funding; increases based on number of eligible individuals and costs
Federal Payment	FMAP[2] (percentage of eligible expenditures)	Fixed amount	FMAP[2] (percentage of eligible expenditures)
State Match	Remaining non-federal share	75% or 80% of historic spending	Remaining non-federal share
SFY25 Spend	$32.6 million	$109.8 million	$136 million

[1] Title IV-E covers administrative and training costs for foster care through the Child Welfare Services and Departmental Administration programs.

[2] Federal Medical Assistance Percentage (FMAP) rates are utilized to determine the federal share of expenditures for Medicaid and other programs. The federal fiscal year 2026 FMAP for Georgia is 66.40%.

Source: Social Security Act, Congressional Research Service, Georgia TANF State Plan, SAO Budgetary Compliance Report (FY 2025), DCH financial data, DFCS/DCH interviews and documentation

Out-of-Home Care

The primary federal fund sources for the OHC Program are Title IV-E and TANF.[22] These sources, as well as smaller funds available for foster care, are described in more detail below.

Title IV-E

In serving eligible children, the Title IV-E Foster Care Program partially reimburses states for foster care maintenance payments, program related administrative costs and training[23] for staff and placement providers. The OHC program uses these funds for foster care maintenance payments, while funds used for administration and training costs are reflected in Child Welfare Services and Departmental Administration budgetary programs.

Federal law states that foster care maintenance payments can cover the cost of an eligible foster child's food, clothing, shelter, daily supervision, school supplies, personal incidentals, liability insurance, and reasonable travel for school and visitation purposes, as well as their associated costs. For children in CCIs, allowable costs also include necessary administration and operation expenses required to meet these needs. DFCS uses Title IV-E funds in the OHC program to cover the items above, as well as other costs listed in **Appendix F**.

Federal law outlines specific Title IV-E eligibility requirements for foster care maintenance payments. Eligibility criteria pertain to the child and placement providers, as shown below.

- A voluntary placement agreement must be established by a parent or legal guardian who is a relative of the child or judicial determinations conclude that remaining in the home is contrary to the welfare of the child and reasonable efforts were made to prevent removal and finalize a permanency plan;
- The state agency assumes responsibility for the child's placement and care;
- The child meets eligibility standards for the Aid to Families with Dependent Children (AFDC) program under the state plan in effect July 16, 1996, which include age, deprivation, removal from home of specified relative, financial need, and citizenship/immigration status;
- The child is placed in a licensed foster family home, CCI, or with a parent in a residential family-based treatment facility for substance abuse;[24] and
- The child's placement provider meets safety requirements.

As an entitlement program, Title IV-E will fund eligible activities for all eligible children. Foster care maintenance payments are reimbursed at the Federal Medical

[22] Children who do not meet citizenship/qualified alien requirements for Title IV-E and TANF are not eligible to receive funding from those sources.
[23] Title IV-E reimbursement for training costs can also cover certain legal personnel, such as agency attorneys or guardians ad litem.
[24] Title IV-E foster care maintenance payments are limited to 12 months for eligible children placed with a parent in a residential family-based treatment facility for substance abuse.

Assistance Percentage (FMAP)—66.04% for Georgia in federal fiscal year 2025. In state fiscal year 2025, the OHC program expended approximately $32.6 million in Title IV-E funds, representing 22% of OHC federal funds and 6% of total OHC funds. Between state fiscal years 2022 and 2025, Title IV-E funds steadily decreased from 42% to 22% of OHC federal funds and 10% to 6% of OHC total funds.

Title IV-E funding limitations include income limitations, the need for specific court order language, and many CCI placements being ineligible. The most significant limitation is the requirement that a child meet AFDC income requirements that have not changed in Georgia since 1994.[25] Inflation has reduced the number of potentially eligible children over time, resulting in the average annual Title IV-E approval rate in Georgia of approximately 35% in recent years. Moreover, children are ineligible if judicial determinations for their removal from the home lack specific language.[26]

The federal Families First Prevention Services Act (FFPSA) of 2018 further restricted foster care maintenance payments for CCIs to 14 days to limit placements in congregate care settings and promote placements in family-based settings. Under the FFPSA, only specific CCI settings are Title IV-E reimbursable, including qualified residential treatment programs (QRTPs), specialized settings for expecting or parenting youth, supervised independent living programs for individuals 18 and older, and high-quality residential settings to support youth affected by or at risk of sex trafficking.

TANF

TANF is a fixed block grant given to states to design programs that help low-income families with children reach economic security and stability. To receive the federal funds, states must spend a minimum amount of state funds on TANF allowable benefits and services, known as Maintenance of Effort (MOE). Georgia received approximately $329.7 million in TANF funds in federal fiscal year 2025; the state's MOE requirement was approximately $173.4 million.

Federal law requires TANF expenditures to meet one of the following purposes:

1. Assist needy families so children may be cared for in their own homes or in the homes of relatives;
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. Prevent and reduce the incidence of out-of-wedlock pregnancies; and
4. Encourage the formation and maintenance of two-parent families.

Because a state can use TANF funds consistent with its use of AFDC funds in 1996, Georgia is able to use TANF for temporary emergency assistance of foster children in DFCS custody (regardless of alignment with the purposes above). In state fiscal year

[25] Georgia's AFDC gross income ceiling for a family of four is $925.

[26] The first court order for a child's removal from their home must include a judicial determination that remaining in the home is "contrary to the welfare" of the child or that OHC is in the "best interest" of the child. The language "reasonable efforts to prevent removal" or "reasonable efforts not required" must be judicially determined within 60 days of the child's court removal order.

2025, the OHC program expended $109.8 million in TANF funds, representing 76% of OHC federal funds and 21% of OHC total funds. Between fiscal years 2022 and 2025, TANF funds increased from 58% to 76% of OHC federal funds and 14% to 21% of OHC total funds.

Within the OHC program, DFCS uses TANF funds for foster care maintenance payments,[27] as well as other services and subsidy payments. TANF-funded services are limited to the assessments conducted for every child entering foster care, which can include transportation and mileage, court appearances and testimonials, and screenings and non-mental health assessments. TANF-funded subsidy payments are cash benefits paid to specified relatives caring for children in DFCS custody or serving as legal guardians for children previously in DFCS custody.

There are several limitations on the use of TANF funds for foster children. Foster care maintenance payments can only be used to pay for services and activities outlined in the AFDC emergency assistance plan and are limited to the first six months a child is in DFCS custody. Moreover, TANF state allotments have remained unchanged since 1996 and are not adjusted for inflation.

Finally, to comply with MOE requirements, states must annually spend at least 75% of their state fiscal year 1994 pre-TANF spending level on eligible families (80% if work requirements are not met). A significant amount of state OHC funds are used to demonstrate state MOE compliance, and DFCS officials noted that shifting these costs to TANF would risk noncompliance. If DFCS uses more TANF funding on OHC expenses, the state must replace those expenses with other allowable costs to meet the MOE requirement. DFCS officials acknowledged that limited state expenditures have been re-rated to TANF at the end of recent fiscal years, without resulting in MOE non-compliance.

DFCS officials noted that leadership changes at the U.S. Department of Health and Human Services have led to varying questions about the use of TANF funds. They indicated concerns about an increased use of TANF funds resulting in greater federal scrutiny. It should be noted that the U.S. Government Accountability Office identified Georgia as an outlier for its significant use of TANF funds for child welfare services during 2022.

Other Fund Sources

In addition to Title IV-E and TANF, additional fund sources may be available for foster care. These funds are significantly smaller, and DFCS only uses them when available.

- **Supplemental Security Income (SSI)** is an entitlement program that provides monthly payments to eligible individuals who are aged, blind or disabled. The Social Security Administration allows state agencies to become representative payees for children receiving these benefits while under their care. DFCS may use the funds to provide for the child's current needs, including food, clothing, housing, medical care, personal

[27] *TANF foster care maintenance payments are only for foster children who are not Title IV-E eligible.*

comfort items, and reasonably foreseeable needs. In state fiscal year 2025, SSI and other child funds[28] represented 2% (approximately $3.1 million) of total OHC federal funds.

- The **Social Services Block Grant (SSBG)** is a capped entitlement program that provides flexible federal funding to states for social service programs. States may use SSBG funds for various purposes, including foster care services[29] that cover child needs assessments, case planning and case management, counseling, and other services. Federal law requires states to annually submit a plan for the intended use of SSBG funds and make it available for public comment. Each year, the Joint Appropriations Committee of the General Assembly holds a public hearing on the use of SSBG funds. In state fiscal year 2025, the General Assembly appropriated approximately $40.5 million in SSBG funds to the Department of Behavioral Health and Developmental Disabilities and approximately $17.8 million to DHS.[30] Within DHS, SSBG funds were distributed to Aging Services (66.1%),Child Welfare Services (33.8%), and Departmental Administration (0.1%). The OHC program last utilized SSBG funds in state fiscal year 2023, totaling $178,000.
- **Title IV-B** is a two-part federal program that provides flexible funding to states to support a wide range of child welfare services. States may use Title IV-B Subpart 1 funding for foster care maintenance payments; however, they are limited to their fiscal year 2005 Title IV-B spending levels. DFCS does not currently use any of the approximately $10 million in Title IV-B, Subpart 1 funding within the OHC program, instead using the funds within the Child Welfare Services program for various child welfare services and administrative costs. DFCS staff stated these funds could be used for foster care maintenance payments if not exhausted on these other purposes.

Medicaid

As an entitlement program, Medicaid provides health insurance to eligible low-income individuals. The program is jointly funded by federal and state dollars, and states are reimbursed at their FMAP rate. Federal law requires states to provide health coverage for categorically needy groups, including children who are Title IV-E eligible, under age 19, and former foster children. Most foster children in Georgia receive Medicaid through Georgia Families 360, a managed care program with health coverage provided by Amerigroup Community Care, one of the state's Care Management Organizations (CMO). Disabled foster children receive Medicaid under a fee-for-service program. In state fiscal year 2025, Medicaid spending for foster children in Georgia Families 360 was approximately $120 million and $16 million for fee for service.

[28] Other child funds include Retirement, Survivors, and Disability Insurance, Veterans benefits, as well as child support.
[29] States are not allowed to use SSBG funds for room and board or medical expenses unless those costs are a minor and necessary part of a state approved social service.
[30] SSBG appropriations to DHS include TANF transfers to SSBG.

Federal law requires states to provide mandatory health services for categorically needy groups, and states may choose to include optional services. Georgia Families 360 covers mandatory services including inpatient and outpatient hospital care, Early and Periodic Screening, Diagnostic, and Treatment (EPSDT), non-emergency medical transportation (NEMT), and other services.[31] Georgia Families 360 also includes optional services such as clinical services, psychological services, and case management. A list of Georgia Families 360 covered services can be found in **Appendix G**.

Medicaid services play a significant role in addressing the needs of foster children. As described below, certain operational limitations and DCH policies impair the agency's ability to utilize some of these services.

- **Psychiatric residential treatment facilities** are intensive mental health and substance abuse treatment facilities for youth ages 5 to 21 who have acute needs. In Georgia, only six PRTF providers (with fewer than 600 operational beds) serve both public and privately insured individuals from in and out of state. Some foster children in DFCS custody require this service; however, the limited number of PRTF providers in the state often results in delayed service. Foster children may be denied PRTF placement if the providers do not have the capacity and/or the ability to meet specific needs. DCH officials noted the state increased PRTF rates in 2024 in an attempt to improve access for Georgia Medicaid patients.

  The CMO that covers foster children may also deny requests for admission (or admission extensions) if it does not deem the admission medically necessary. This would occur if the CMO does not regard the need as acute at the time of the request, regardless of past or potential future needs.

  DCH and DFCS officials also pointed to the need for subacute level treatment options for foster children and efforts to address the need. QRTPs would provide an option for children leaving a PRTF and those in need of residential treatment but who do not qualify for a PRTF. DCH added QRTPs to the state plan in 2024, and DFCS will operate one for foster children. (No other providers have approached the state to operate a QRTP). Further, DCH is working on a therapeutic care model also intended to serve as a preventative model and a step-down model to PRTFs.
- **Behavioral aides** are frequently used by DFCS to support and supervise foster children. Since being added to the Medicaid state plan in 2022, behavioral aides have also been available to members, though they are limited to children diagnosed with autism and for which the service is deemed medically necessary. These eligibility requirements have limited the ability for DFCS to utilize Medicaid-reimbursable behavioral aides.

[31] EPSDT covers preventative services, diagnostic services and medically necessary treatments to correct or improve medical conditions. NEMT provides free statewide transportation to Medicaid-reimbursable services for eligible Medicaid members who do not have any means of transportation.

Additionally, DCH has specific training, credentialing and supervision requirements for Medicaid-reimbursable behavioral aides that exceed the requirements for DFCS behavioral aides.

To increase access to Medicaid-reimbursable behavioral aides, DCH plans to remove the autism diagnosis requirement, adjust training requirements, and expand approved provider types. DCH expects to submit a state plan amendment this fall for approval by the Centers for Medicare and Medicaid Services.

- **Non-emergency medical transportation** is a Medicaid service that provides medically necessary transportation for eligible members who have no other form of transportation. Due to several access challenges, DFCS must spend state funds on transportation for foster children to receive Medicaid services. DCH policy requires all individuals under 18 to have an adult accompany them. Given foster parents' work constraints, many foster children are unable to utilize the service unless an adult (such as a DFCS case manager or behavioral aide) escorts them. Additionally, NEMT typically has mileage restrictions that limit their use for children placed far from their medical providers, and 72-hour scheduling notices have further limited access to the service.

DHS Response: *DHS agreed with the finding. "DHS agrees that federal funding has constraints in serving children in foster care. The increased costs for serving complex clinical needs related to a child's mental, behavioral, and neurodevelopmental diagnosis, however, is not covered by any federal fund historically made available to DHS, although Medicaid entitlements may make the services and funds available to other agencies that serve children in foster care. The Social Services Block Grant can cover what many would consider to be mental-, behavioral-, or neurodevelopmental-related health expenses for children in care and could be utilized for this purpose by the State. Moreover, the State could more effectively leverage Medicaid as a fund source for expenses currently being covered by DHS fund sources, "freeing up" those dollars to stretch further in preventative services to safely keep families intact, parental services for reunification, adoptive support, etc. In the past, DFCS previously billed Medicaid for a portion of their case work related to coordinating healthcare for children in custody as targeted case management. The provision remains in the State Medicaid Plan, but the billing mechanism is now unavailable to DHS."*

DCH Response: *DCH agreed with the finding.*

Appendix A: Table of Findings and Recommendations

	Agree, Partial Agree, Disagree
Finding 1: Out-of-Home Care program expenditure increases are attributable to per diem, transportation, behavioral aides, and written waivers. (p. 7)	Agree
No recommendations included	
Finding 2: Spending on children with complex needs has increased overall OHC expenditures. (p. 10)	Agree
No recommendations included	
Finding 3: The use of hoteling has declined, but costs to reduce hoteling are high. (p. 13)	Agree
No recommendations included	
Finding 4: Changes in the provider environment have likely contributed to increases in OHC expenditures. (p. 16)	Agree
No recommendations included	
Finding 5: Recent rate changes, more children in higher-cost placements, and increased use of enhanced rates have contributed to higher program costs. (p. 19)	Agree
No recommendations included	
Finding 6: The agency's shift to a new service authorization and payment system likely increased authorizations and expenditures. (p. 22)	Agree
No recommendations included	
Finding 7: Foster children are supported by multiple federal fund sources, each of which has specific purposes and limitations. (p. 25)	DHS: Agree DCH: Agree
No recommendations included	

Appendix B: Objectives, Scope, and Methodology

Objectives

This report examines the Out-of-Home Care (OHC) program within the Department of Human Services (DHS) Division of Family and Children Services (DFCS). Specifically, our special examination set out to determine the following:

1. What are the primary cost categories that account for the recent increases of expenditures within the OHC program?
2. How has an increase in children with complex needs impacted OHC spending?
3. How have recent efforts to end hoteling of foster children impacted OHC?
4. How have recent rate changes impacted OHC expenditures?
5. How have changes in the availability of selected provider types impacted OHC expenditures?
6. How have efforts to improve timeliness of service approvals and payments impacted OHC expenditures?
7. What are appropriate uses of federal funds in the OHC program?

Scope

This special examination generally covered activity related to the OHC program that occurred from fiscal year 2022 to 2026, with consideration of earlier or later periods when relevant.

There were limitations to this review due to data reliability and how data at DFCS is captured in the SHINES and SMILES systems. Specifically, we found unreliable data fields in the SMILES financial data that would have been beneficial for evaluating the changes in program costs (e.g., days of service and service start and end dates). While this data is captured within each child's individual file in the SHINES case management system, the audit team determined it was not feasible to obtain this data on the number of children in foster care over the period reviewed.

Methodology

Information used in this report was obtained by conducting site visits; interviewing agency officials and staff from DFCS (including regional and county offices and contractors), Georgia Department of Community Health (DCH), and the Governor's Office of Planning and Budget (OPB); analyzing data and reports; reviewing Medicaid claims data; reviewing DHS policies and procedures; reviewing existing studies; reviewing relevant federal and state laws, rules, and regulations; and conducting a case file review.

Several methodologies were used to address multiple objectives:

- Most objectives used financial data from DHS's SMILES information system to examine expenditures. This information was used to determine overall increases and examine specific cost categories. In some cases, a report of children in custody provided by DFCS was used to filter SMILES data to determine their costs.[32] We did not independently verify the data.

[32] *We found 383 children out of the total 34,310 in custody receiving per diem payments that were not on the custody list provided by DFCS. DFCS said that this is to be expected due to some errors in the SHINES data system and some other factors that were not included in the query so that it aligned with federal AFCARs data. Some potential reasons a child would not show up on the custody list would be incorrect dates entered, payment delays, and adoptions with sealed records.*

- We conducted a case file review from DHS's SHINES Database to collect information on 49 data points, such as time in custody, characteristics/diagnoses, exhibiting behaviors, and placement numbers. The review included case files for 120 foster children in the costliest 20% of spending from three high-cost spending categories (transportation, behavioral aides, and written waivers). The sample included 60 children from fiscal year 2022 and 60 children from fiscal year 2025.
- We conducted interviews with a sample of 11 DFCS county offices and 3 DFCS regional offices. For each visit in the sample, we interviewed DFCS staff, specifically case managers, relating to multiple objectives. Sample sites were chosen in collaboration with DHS and intended to represent a range of geographic location, spending patterns, and populations. Results cannot be extrapolated to all DFCS offices, which consist of 159 county offices and 14 regional offices.

To obtain information on the primary cost categories that account for the recent expenditure increases within the OHC program, we analyzed SMILES expenditure data by category to review spending categories and determine where costs were increasing. We interviewed OPB staff on the expenditure increase. We also interviewed DFCS central office, regional, and county staff on what categories they have seen increasing the most within the timeframe of the review. In addition, we reviewed DHS documentation relating to the cost expenditure increases. The causes found in this review were determined using the methodologies described for other objectives.

To determine the extent to which an increase in children with complex needs impacted OHC spending, we interviewed DFCS central office staff, regional staff, and county staff on how they define a complex child. We also interviewed a University of Georgia professor who researches this topic. We reviewed spending amounts and categories of the highest-cost children from SMILES financial data using children identified from the custody list provided by DFCS. We reviewed the number of children in each RBWO per diem placement designation in each year to determine whether more children were in higher designations. We reviewed high-cost children in the case file review to determine whether their complexity factors had grown. We also reviewed Medicaid claims data diagnosis information to determine whether any diagnoses related to complex children had grown. We reviewed the expenditures of the costliest children in custody (from SMILES using the custody list) to determine whether they had characteristics of complex children and then examined the increases in their spending by decile, category, and spending category. We also reviewed national research and data on the topic of children with complex needs.

To determine the extent to which recent efforts to end hoteling of foster children impacted OHC expenditures, we interviewed DFCS central office, regional, and county staff about actions taken to decrease the number of foster children being hoteled and the impact on expenditures. We also reviewed agency documentation on actions taken to decrease the use of hoteling. We reviewed DFCS data on the number of children spending at least one night in a hotel and median number of hotel nights per child. We examined SMILES expenditure data to review costs associated with hoteling and emergency supervision. We also used SMILES financial data to examine all SMILES expenditures for children who have experienced hoteling. We reviewed documentation related to DFCS actions regarding additional supports to placements that accept children who had been or were at risk of being hoteled. We subsequently interviewed both program management and senior leadership about those actions and noted in the report concerns that additional supports were given to placement providers for children who would have never been hoteled.

To determine the extent to which recent rate changes impacted OHC expenditures, we reviewed DFCS policy manuals and other documentation to identify categories with rate changes. We also conducted interviews with DFCS staff and reviewed DFCS documentation to identify rate changes and policy adjustments

that could impact rates. We reviewed DFCS policy and interviewed DFCS staff to determine the different levels of per diem rate categories and what determines a child's placement. We examined SMILES expenditure data to estimate how much of the increase in per diem expenditures could be attributed to scheduled rate increases. We interviewed a third-party contractor examining DFCS rates. Additionally, we interviewed DFCS staff and reviewed DFCS reports to determine how written waivers impact placement costs. We reviewed vendor payments for written waivers for any obvious indicators of excessive payments. We also interviewed staff specifically about the process for how written waiver amounts are determined.

To determine the extent to which changes in the availability of selected provider types impacted OHC expenditures, we interviewed DFCS staff regarding the provider environment and placement challenges for children. We also interviewed local and regional DFCS staff to understand how placement decisions are made and how provider availability impacts placement decisions. We reviewed DFCS documentation to classify placement providers by type. We examined SMILES expenditure data to describe changes in the utilization of placement providers and children served by type from fiscal years 2022 through 2025. We used SHINES data to examine trends in the availability of DFCS foster homes and CPA foster homes from fiscal years 2022 and 2025. Additionally, we reviewed DCH data to determine the number of PRTF placement requests, approvals, and denials.

To determine the extent to which efforts to improve timeliness of service approvals and payments impacted OHC expenditures, we interviewed DFCS central office, regional, and county staff about the service approval process prior to fiscal year 2022 and any changes that have occurred since, including the implementation and removal of the ARGO system. We asked interviewees how the process changes have impacted service delivery and workloads. We reviewed DFCS documentation about the process changes for service approvals and payments. We reviewed the number of service authorizations and associated expenditures before and after the implementation of ARGO using SMILES data.[33] Specific work related to internal controls included interviewing DFCS about the policies, process, and controls in place for service authorizations, including reviewing historical DFCS documentation and emails.

To obtain information on the appropriate uses of federal funds in the OHC program, we reviewed federal and state laws, rules, and regulations on federal funds that may be utilized for OHC expenditures. We interviewed DFCS staff about their funding sources and uses. Additionally, we reviewed the Georgia TANF State Plan, DFCS documentation on federal funds, and other third-party reports on federal funding sources used for foster care. Further, we reviewed SMILES financial data to identify the categories of spending associated with each type of federal fund. We also interviewed OPB and DCH and reviewed DCH documentation.

[33] There is no available data on system authorizations prior to ARGO nor after, so we could not evaluate the number of service authorizations before the system change or after the change back to the manual process.

Appendix C: RBWO Program Designations

Program Designation	Provider Type	Description	Number of Children (FY25)[1]
Maximum Watchful Oversight (MWO)[2]	CPA/CCI	Children have serious to severe emotional and/or behavioral challenges, and moderate medical needs that require additional services. Children placed in CPAs exhibit serious behaviors, while those in CCIs have more frequent and severe behaviors. Some children may have serious to severe medical needs that require life-sustaining care.	3,529
Base Watchful Oversight (BWO)	CPA	Children have moderate behaviors and moderate, sometimes serious emotional and/or behavioral challenges that affect their functioning in normal, unsupervised settings. They have minimal to mild medical needs and may have a mild developmental delay that is not associated with a medical condition.	3,343
Transitional Living Program[3]	CCI	Adolescents at least 16 years of age receive the skills, knowledge and experiences to prepare for their transition into independent living. Behaviors are considered but do not determine this program designation.	382
Independent Living Program (ILP)[3]	CCI	Individuals between 18 and 21 years of age receive skills, knowledge and experience to prepare for and gain their independence. This program designation is not behavior based, though behaviors are considered.	382
Specialty Medically Fragile Watchful Oversight (SMFWO)	CPA	Children have serious to severe medical conditions that require daily essential care from a trained caregiver. No other children are allowed to be placed in the same home as children with this designation without written approval.	355
Additional Watchful Oversight (AWO)	CCI	Children have frequent and serious behaviors, and moderate, sometimes serious emotional and behavioral challenges that affect their functioning in normal unsupervised settings. They have minimal to mild medical needs and may have a mild developmental delay that is not associated with a medical condition.	302
Base Care (BWO)	CCI	Children have mild to moderate behaviors and emotional and/or behavioral challenges that affect their functioning in normal, unsupervised settings. They have minimal to mild medical needs and may have a mild developmental delay that is not associated with a medical condition.	296
Specialty Maximum Watchful Oversight (SMWO)	CPA	Children have severe emotional and/or behavioral challenges that affect their functioning in normal, unsupervised settings. Children in this designation exhibit the same characteristics as SBWO but more frequent and severe.	244
Traditional Care	CPA	Children have mild behaviors and mild, sometimes moderate emotional and/or behavioral challenges that affect their functioning in normal, unsupervised settings. They have minimal to mild medical needs and may have a mild developmental delay that is not associated with a medical condition.	47

Program Designation	Provider Type	Description	Number of Children (FY25)[1]
Specialty Base Watchful Oversight (SBWO)	CPA	Children have serious emotional and/or behavioral challenges that affect their functioning in normal, unsupervised settings. Other children may not be placed in the same home as a child with this designation without written approval. Children in this designation exhibit the same characteristics as MWO but more frequent and severe.	36
Parenting Support Programs (PSP) also called Second Chance Homes	CCI	Youth and their children are served. Youth receive the skills and knowledge to properly parent their children. Emotional and behavioral challenges are mild, along with minimal to mild medical needs.	14
Maternity Programs	CCI	Youth are expecting or parenting a child(ren) and receiving preparation and training for motherhood/parenting. Individuals in this designation have mild emotional and behavioral challenges, and minimal to mild medical needs.	2
Specialty Camp	CCI	Children have moderate to severe emotional and/or behavioral challenges that make it difficult for the child to function in normal settings without supervision and structure. Exhibited characteristics are the same as AWO and MWO program designations. Medical needs are minimal to mild.	0

[1] Children may have been included in more than one program designation during the fiscal year.
[2] Both CCI and CPA placement providers have the same MWO program designation. The number reported represents the total number of foster children in MWOs across both provider types.
[3] The number shown for each program designation is the same and reflects the total number of foster children across both program designations.

Source: DFCS documentation

Appendix D: OHC Expenditures by Category and Fund Source

2022

	State	%	Federal TANF	%	Federal Title IV-E	%	Other Funds	%	Grand Total
Per Diem	$147,710,089	74%	$22,635,464	11%	$30,107,881	15%	$2,505,487	1%	$202,958,922
FFC	*$19,809,434*	*66%*	*$4,186,121*	*14%*	*$5,857,448*	*20%*			*$29,853,003*
CPA	*$67,209,927*	*73%*	*$8,742,911*	*10%*	*$15,908,286*	*17%*			*$91,861,124*
CCI	*$60,690,729*	*77%*	*$9,706,432*	*12%*	*$8,342,146*	*11%*			*$78,739,307*
Other							*$2,505,487*	*100%*	*$2,505,487*
Written Waiver	$21,384,310	77%	$2,018,381	7%	$4,409,190	16%			$27,811,880
Subsidy Payments	$1,911,198	3%	$60,628,328	97%					$62,539,526
Relative Subsidies			*$34,587,124*	*100%*					*$34,587,124*
Other Subsidies	*$1,911,198*	*7%*	*$26,041,204*	*93%*					*$27,952,402*
Supervision	$22,720,360	100%	$75,493	0%	$23,655	0%	$167	0%	$22,819,674
Transportation	$20,985,015	100%	$2,161	0%					$20,987,176
Mileage	*$9,686,915*	*100%*							*$9,686,915*
Provider Payments/Other	*$11,298,100*	*100%*	*$2,161*	*0%*					*$11,300,261*
Behavioral Aides	$5,869,082	100%							$5,869,082
In-Home Case Mgmt and Therapy	$7,312,492	100%							$7,312,492
Sibling Incentive & Group Model	$3,633,879	64%	$1,240,879	22%	$819,081	14%			$5,693,839
Emergency Hoteling & Supervision	$4,023,856	100%							$4,023,856
Payments to Hotel	*$1,579,049*	*100%*							*$1,579,049*
Emergency Supervision	*$2,444,806*	*100%*							*$2,444,806*
Clothing	$1,450,133	59%	$596,028	24%	$395,172	16%	$7,700	0%	$2,449,033
Screenings/ Assessments (Non-Mental Health)	$2,155,030	100%							$2,155,030
Comprehensive Child & Family Assessment	*$1,899,067*	*100%*							*$1,899,067*
Other	*$255,963*	*100%*							*$255,963*
Other	$1,231,395	81%	$216,891	14%	$42,954	3%	$29,403	2%	$1,520,643
Total Expenditures	**$240,386,837**	**66%**	**$87,413,626**	**24%**	**$35,797,933**	**10%**	**$2,542,757**	**1%**	**$366,141,153**

Source: DFCS financial data

2025

	State	%	Federal TANF	%	Federal Title IV-E	%	Other Funds	%	Grand Total
Per Diem	$193,901,084	77%	$30,297,737	12%	$22,478,813	9%	$3,635,341	1%	$250,312,976
FFC	*$20,989,885*	*68%*	*$4,389,468*	*14%*	*$5,266,040*	*17%*			*$30,645,392*
CPA	*$84,338,097*	*74%*	*$12,554,308*	*11%*	*$16,653,450*	*16%*			*$113,545,855*
CCI	*$88,573,103*	*86%*	*$13,353,961*	*13%*	*$559,323*	*1%*			*$102,486,387*
Other							*$3,635,341*	*100%*	*$3,635,341*
Written Waiver	$48,356,229	78%	$6,589,961	11%	$7,267,401	12%			$62,213,591
Subsidy Payments	$2,238,631	4%	$61,447,955	96%					$63,686,586
Relative Subsidies			*$26,749,445*	*100%*					*$26,749,445*
Other Subsidies	*$2,238,631*	*6%*	*$34,698,510*	*94%*					*$36,937,141*
Supervision	$14,008,346	99%	$100,553	1%	$61,620	0%			$14,170,519
Transportation	$61,875,706	100%	$2,594	0%					$61,878,300
Mileage	*$30,659,759*	*100%*							*$30,659,759*
Provider Payments/Other	*$31,215,947*	*100%*	*$2,594*	*0%*					*$31,218,541*
Behavioral Aides	$43,623,279	100%							$43,623,279
In-Home Case Mgmt and Therapy	$9,577,208	100%							$9,577,208
Sibling Incentive & Group Model	$3,650,840	62%	$1,810,233	31%	$425,630	7%			$5,886,702
Emergency Hoteling & Supervision	$2,484,337	100%							$2,484337
Payments to Hotel	*$400,506*	*100%*							*$400.506*
Emergency Supervision	*$2,083,831*	*100%*							*$2,083,831*
Clothing	$1,979,523	65%	$638,535	21%	$396,573	13%	$14,801	0%	$3,029,432
Screenings/ Assessments (Non-Mental Health)	$2,627,622	100%							$2,627,622
Comprehensive Child & Family Assessment	*$2,336,455*	*100%*							*$2,336.455*
Other	*$291,167*	*100%*							*$291,167*
Other	$1,829,815	89%	$165,381	8%	$38,825	2%	$30,680	1%	$2,064,701
Total Expenditures	**$386,152,619**	**74%**	**$101,052,950**	**19%**	**$30,668,862**	**6%**	**$3,680,823**	**1%**	**$521,555,253**

Source: DFCS financial data

Appendix E: Full Rate Schedule (FY 2025-2026)

2025

	Fixed payment to agency	Foster parent for ages 0-5	Foster parent for ages 6-12	Foster parent for ages 13+
DFCS Foster Home	n/a	$28.63	$30.89	$33.60
CPA – Traditional	$26.03	$28.63	$30.89	$33.60
CPA – BWO	$35.24	$28.63	$30.89	$33.60
CPA – MWO	$48.65	$28.63	$30.89	$33.60
CPA – SBWO	$54.64	$28.63	$30.89	$33.60
CPA – SMWO	$83.77	$28.63	$30.89	$33.60
CPA – SMFWO	$98.34	$28.63	$30.89	$33.60
CCI – BWO	$122.90	n/a	n/a	n/a
CCI – AWO	$155.68	n/a	n/a	n/a
CCI – MWO	$219.49	n/a	n/a	n/a
CCI – 2nd Chance	$196.65	n/a	n/a	n/a
CCI – ILP	$130.61	n/a	n/a	n/a
CCI – Maternity	$122.90	n/a	n/a	n/a

2026[1]

	Fixed payment to agency	Foster parent for ages 0-5	Foster parent for ages 6-12	Foster parent for ages 13+
DFCS Foster Home	n/a	$29.20	$31.51	$34.27
CPA – Traditional	$26.55	$29.20	$31.51	$34.27
CPA – BWO	$35.94	$29.20	$31.51	$34.27
CPA – MWO	$49.15	$29.20	$31.51	$34.27
CPA – SBWO	$55.73	$29.20	$31.51	$34.27
CPA – SMWO	$85.45	$29.20	$31.51	$34.27
CPA – SMFWO	$100.31	$29.20	$31.51	$34.27
CCI – BWO	$125.36	n/a	n/a	n/a
CCI – AWO	$158.79	n/a	n/a	n/a
CCI – MWO	$223.88	n/a	n/a	n/a
CCI – 2nd Chance	$200.58	n/a	n/a	n/a
CCI – ILP	$133.22	n/a	n/a	n/a
CCI – Maternity	$125.36	n/a	n/a	n/a

[1] The General Assembly appropriated a 2% increase for per diem rates for fiscal year 2026.

Source: DFCS documentation

Appendix F: Federal Payments and Services in OHC

Payments and Services	Title IV-E	TANF
Foster Care Maintenance Payments (FCMP)	**FCMP**	**AFDC Emergency Assistance Plan**
Food*	Covered	Covered
Clothing	Covered	Covered
Shelter*	Covered	Covered
Foster Homes*	Covered	Covered
Childcare Institutions Less Than 14 days*	Covered	Covered
Childcare Institutions More Than 14 days*	Limited	Covered
Daily Supervision*	Covered	Covered
Supplemental Supervision	Covered	Covered
School Supplies*	Covered	Covered
Personal Incidentals*	Covered	Covered
Liability Insurance*	Covered	Covered
Reasonable Travel to Child's Home for Visitation*	Covered	Covered
Reasonable Travel for Child to Remain in Enrolled School Prior to Placement*	Covered	Covered
Interstate Travel (ICPC Eligible Only)[1]	Covered	Covered
Sibling Incentive	Covered	Covered
Written Waiver Item	Covered	Covered
Safety Helmets	Covered	Covered
Burials	Covered	Covered
Medical Records	Covered	Covered
Birth/Death Certificates	Covered	Covered
Putative Father Register Search	Covered	Covered
Other (Passports)	Covered	Covered
Additional Services	**FCMP**	**Block Grant - Services[2]**
Transportation & Mileage	Not Covered	CCFA related only[3]
Behavioral Aides	Not Covered	Not Covered
Emergency Supervision	Not Covered	Not Covered
Court Appearance/Testimony	Not Covered	CCFA related only[3]
Screenings/Non-Mental Health Assessments	Not Covered	CCFA related only[3]
Subsidy Payments	**FCMP**	**Block Grant – Basic Assistance[2]**
Guardianship Subsidy Payments	Not Covered	Covered
Relative Care Subsidy Payments[4]	Not Covered	Covered
Enhanced Relative Care Subsidy Payments[4]	Not Covered	Covered

*These expenses are included in a per diem rate and are not directly reimbursed.

[1] Interstate Compact on the Placement of Children (ICPC) authorized travel expenses are only for children with an Interstate Travel Waiver.

[2] Additional services refer to child welfare services (specifically family support/family preservation/reunification services) as a TANF financial expenditure category. Basic assistance is another TANF expenditure category that includes subsidy payments.

[3] Comprehensive Child and Family Assessments (CCFA) are conducted for every child entering foster care.

[4] Effective January 1, 2014: Relatives receiving the subsidy prior to 01/01/14 shall continue to be eligible to receive it if all other eligibility criteria are met; however, no new cases can be added into this category.

Source: Social Security Act, Georgia TANF State Plan, DFCS documentation and financial data

Appendix G: Georgia Families 360 Covered Services

Georgia Families 360 Covered Services
Mandatory Services
Inpatient hospital services
Outpatient hospital services
Physician services
Nurse practitioner services
Rural health clinic and federally qualified health center services
Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services
Lab and X-ray services
Non-emergency medical transportation
Nursing facility services for individuals age 21 or older
Nurse midwife services
Home health services
Family planning services
Tobacco cessation counseling for pregnant women
Freestanding birth center services
Medication assisted treatment
Clinical trials
Concurrent care for children receiving hospice
Optional Services
Case management services
Certified community behavioral health clinics
Clinic services
Critical access hospital services
Dental services
Emergency hospital services
Eyeglasses
Home and community-based services
Hospice care
Inpatient hospital care for individuals under age 21 (psychiatric)
Intermediate care facility services (ICF/IDD)
Medical or remedial care provided by other licensed practitioners
Orthotics, prosthetics, and durable medical equipment
Personal care services
Physical therapy, occupational therapy, and services for individuals with speech, hearing, & language disorders
Podiatry services
Prescription drugs
Private duty nursing services
Psychology services
Skilled nursing facility services for individuals under age 21
Vision care

Source: Medicaid and DCH documentation

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