

October 5, 2007

Honorable Dennis A. Cardoza
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

As you requested, CBO has reviewed H.R. 1376, the Medicaid Foster Care Coverage Act of 2007, as introduced on March 7, 2007. The bill would require states to establish a mandatory category of Medicaid eligibility until age 21 for adolescents who lose eligibility for foster care when they reach the age of 18. Under current law, states have the option to cover such adolescents under Medicaid until they reach the age of 21. CBO estimates that H.R. 1376 would increase net federal spending by \$135 million over the 2008-2012 period and \$370 million over the 2008-2017 period (see enclosed table).

Currently, 17 states cover those adolescents under the optional Medicaid category. An additional 17 states provide Medicaid coverage to the same group of older adolescents under the optional Ribicoff eligibility category. Based on information about the number of foster care children leaving the program (by losing eligibility) in states not covering those children, CBO estimates that, under H.R. 1376, Medicaid would cover an additional 12,000 adolescents by 2012. This estimate accounts for some attrition from the rolls and for the fact that some of these individuals would access Medicaid through other means (for example, pregnant women).

Because foster care children often require additional mental health services, physical health services, and substance abuse treatment, the average cost of Medicaid coverage for foster care children is significantly higher than the cost for the average Medicaid-covered child. Based on Medicaid data for older foster care children, CBO estimates that adolescents covered by H.R. 1376 would be more than four times more expensive, on average, than nondisabled children covered by Medicaid.

Honorable Dennis A. Cardoza

Page 2

CBO estimates that the federal cost of Medicaid services for the newly covered adolescents would be \$270 million over the 2008-2012 period and \$740 million over the 2008-2017 period. However, we anticipate that states affected by the new requirement would offset 50 percent of their costs (and, thus, of the federal government's costs) by reducing spending elsewhere in Medicaid.

I hope this information is helpful to you. The CBO staff contact is Robert Stewart.

Sincerely,

Peter R. Orszag
Director

Enclosure

cc: Honorable John D. Dingell
Chairman
Committee on Energy
and Commerce

Honorable Joe Barton
Ranking Member

Preliminary CBO Estimate of H.R. 1376, the Medicaid Foster Care Coverage Act of 2007
 (As introduced on March 7, 2007)

By Fiscal Year, in Millions of Dollars

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008- 2012	2008- 2017
Federal Medicaid Spending												
Estimated Budget Authority	5	15	35	40	40	45	45	45	50	50	135	370
Estimated Outlays	5	15	35	40	40	45	45	45	50	50	135	370
