

March 4, 2004

The Honorable Joseph Bruno  
Senate Majority Leader  
LOB 909  
Albany, NY 12247

Dear Majority Leader Bruno,

While we all recognize that passage of Timothy's Law will aid families throughout the state, little attention has been paid to the fact that it will also result in substantial savings to the New York State budget. The lack of equal coverage has forced thousands of families throughout the state to relinquish custody of their children with mental illness, solely for the purposes of getting such children the mental health services they needs. Such placement provides the child unrestricted mental health services through Medicaid.

Last year, the General Accounting Office (GAO) released a study that found, "Child welfare directors in 19 states and juvenile justice officials in 30 counties estimated that in fiscal year 2001 parents placed over 12,700 children into the child welfare or juvenile justice systems so that these children could receive mental health services."

New York was not included in that study. However, according to the NYS Office of Court Administration annual report for 2002, 3500 petitions were filed, statewide, for "surrender of child" that year. The GAO report goes on to say, "According to child welfare, child mental health, and juvenile justice officials, a number of parents placed children in the child welfare and juvenile justice systems because their health insurance had limitations, such as restrictions on mental health services." The report indicates that a large number of those relinquishments were for the purposes of seeking services.

It should be noted that when a parent relinquishes custody of a child to the municipality, all of the needs of that child, including other health care, education and housing needs, are paid for by the federal, state, and, in New York State, the county governments. The GAO report found that because of the other costs associated with caring for a child, "In many cases, these costs are high; residential treatment facilities can cost over \$250,000 a year for one child." Thus, the costs of relinquishment may be exponentially higher than the cost of simply providing the mental health services the child needs while maintaining the family unit.

The federal Home and Community Based Services (HCBS) Waiver program in Medicaid is designed to serve families with children with severe mental illness who are at risk of out-of-home placement. HCBS Waivers allow some families to avoid relinquishing

custody of their children. The child remains at home, and the state does not have to cover all other associated child-rearing costs.

In 2002, 895 children received services under the HCBS Waiver, totaling \$14 million in services. While that figure includes costs which would not be covered under private health insurance, it appears that approximately \$11 million of the services provided for these 895 children would have been covered, if insurance provided non-discriminatory payment.

New York State taxpayers are subsidizing the health insurance industry through Medicaid and other social services programs because of the limits these insurers place on coverage for mental illness. With passage of Timothy's Law, New York State could avoid much of the cost associated with children placed in foster care for the purposes of receiving services by returning the cost of providing mental health care to the proper sources – health insurers and the intact family unit.

According to the Office of Court Administration, the Office of Children and Family Services does collect data on the purpose for child surrender in Family Court, known as “§358-A” filings.

If only 50% of the children surrendered in 2002 were surrendered for the purpose of obtaining mental health care, the result would be 1750 relinquishments.

Likewise, a conservative analysis of the costs associated with assuming guardianship of the child, costs the GAO estimated at \$250,000, reveals that the State can reasonably expect to spend an average of \$125,000 per child per year.

**By these calculations, enactment of Timothy's Law as part of the 2004-05 budget could save New York State \$218,750,000, in Medicaid and other state social services costs associated with custody relinquishment, along with another \$11,000,000 from HCBS waivers.**

**The cost to be paid through insurance would be \$32,533,500, which seems to be consistent with the PricewaterhouseCoopers study numbers, which show a total cost for children and adults to be about \$90 million a year. Over \$185 million in other state social services costs could be saved.**

Admittedly, there are two problems with our analysis:

- 1) Our numbers are rough estimates, and would need to be researched and verified by people who have access to this information, perhaps Ways and Means.
- 2) This focuses only on children. While these numbers cannot be determined as easily for the adult population, we know that there are also large cost savings here. Children are not miraculously “cured” when they turn eighteen. Rather, they age out of the children's system and simply become harder to track, but still

remain in systems funded through government. These costs will stem from expenses associated with prison, jails and homelessness, where too many individuals who cannot find the treatment they require end up. Also, individuals unable to receive necessary treatment will be left unemployed and dependent on Medicaid, whereas with treatment they could be employed, taxpaying members of our community.

We provide this information in the hope that you will examine this issue to determine the exact amount of Medicaid and other social service programs savings that might be realized by passing Timothy's Law as a part of this year's budget. We believe that adoption of Timothy's Law as part of the State 2004-05 budget will accrue millions in savings for New York State taxpayers, thus doing good and doing well for the people of our great state.

Thank you for your consideration.

Sincerely,

Joseph A. Glazer, Esq.  
President and CEO