

Special Education Financing and ADHD Medications: A Bitter Pill to Swallow.

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Abstract

Accurate diagnosis of attention deficit/hyperactivity disorder (ADHD) in children is difficult because the major symptoms, inattentiveness and hyperactivity, can be exhibited by any child. This study finds evidence of systematic differences in diagnosis and treatment of ADHD due to third party financial incentives. In some states, due to the financing mechanism for special education, schools face a financial incentive to facilitate the identification of children with ADHD. Using variation in special education funding policies across states, we find that children living in states with financial incentives are about 15 percent more likely to report having ADHD and are about 22 percent more likely to be taking medication for ADHD. We provide support that these findings are causal by leveraging variation from two states that implemented policy changes during the time period studied.