Voucher Policy/Practice and Child Care Providers: Implications for Their Willingness to Serve, Financial Stability, and Quality of Care

Gina Adams and Monica Rohacek
The Urban Institute

CCPRC 2010

Why focus on providers and the child care voucher system?

- Child care providers are key in supporting goals of Child Care and Development Fund (CCDF)
  - Helping low-income parents work
  - Supporting children's development
- Yet relatively little is known about
  - Who cares for children receiving subsidies
  - Relationship between providers and voucher subsidy system
- In 2003-04, Urban Institute conducted a major study focusing on child care providers and the child care voucher system* – some publications already available, these data from forthcoming report

**see handout for more information on overall project and publications*

Research Questions

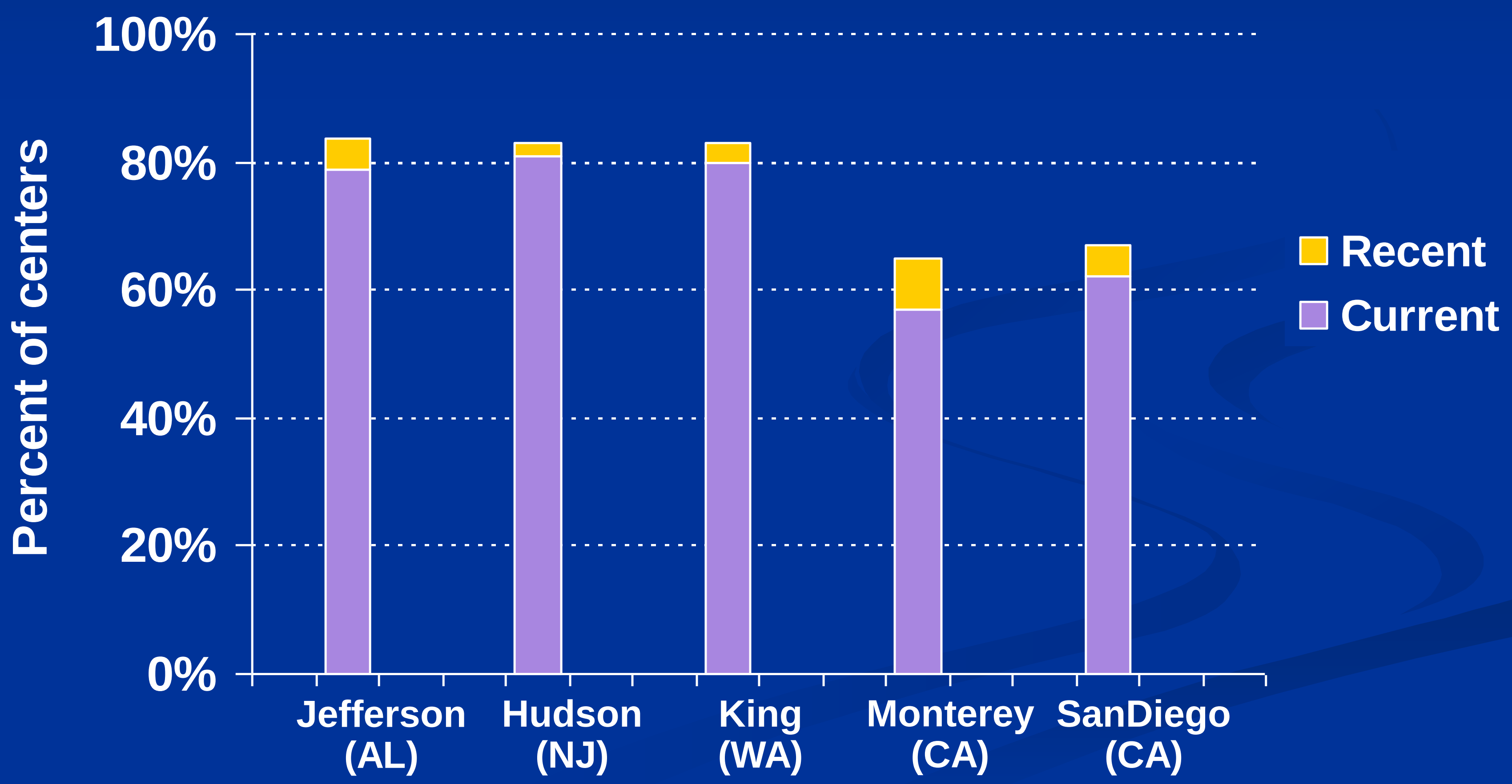
- What proportion of providers serve, or are willing to serve, families with vouchers? Do providers limit the number of vouchers they will accept?
- Do voucher policies/practices appear to affect provider willingness to accept vouchers? How, and which providers are affected?
- Implications for the CCDF goals of parent choice, for the financial well-being and stability of providers, and for the quality of care

Research Design

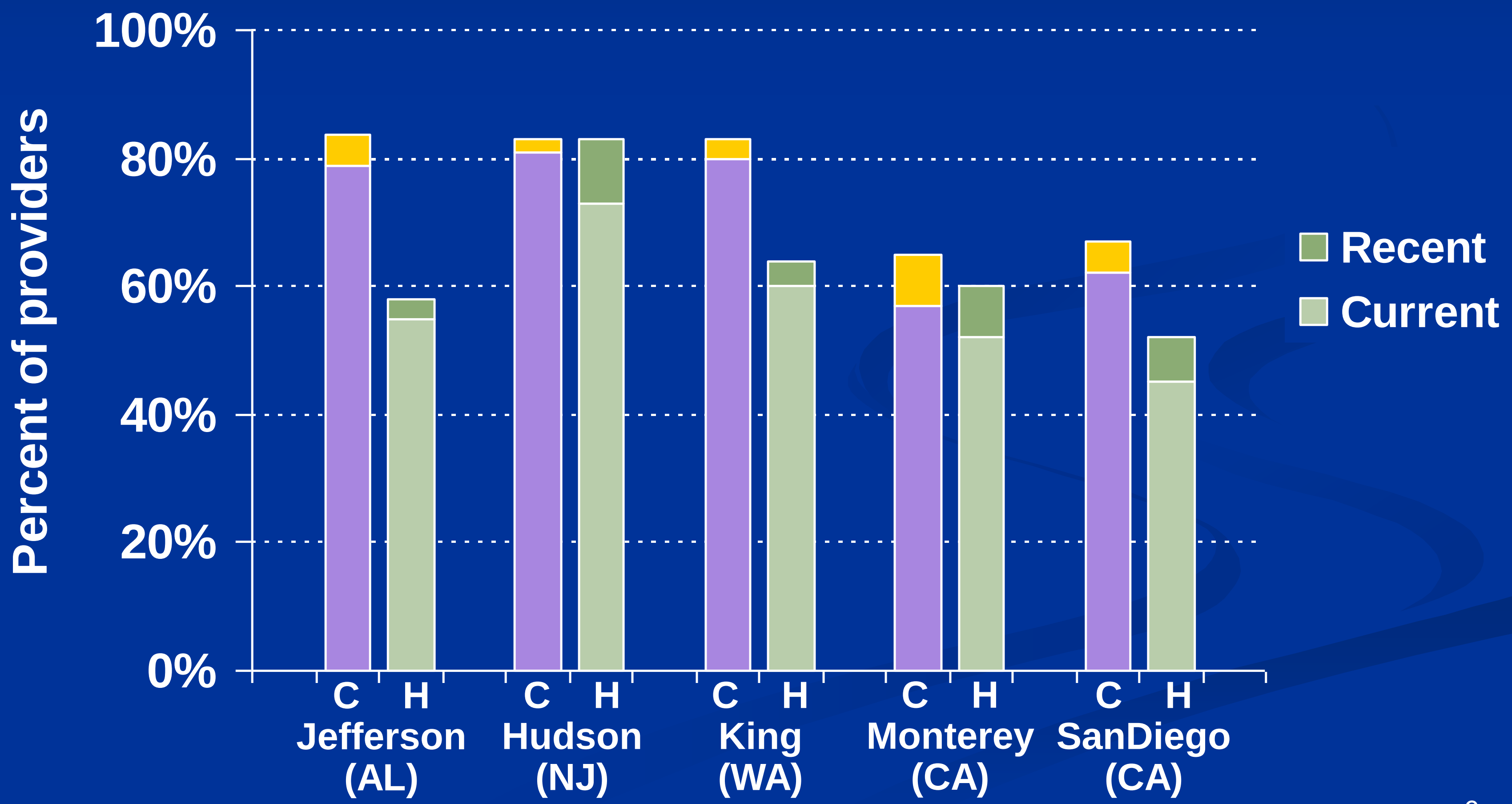
- Study sites
  - Jefferson County, AL (Birmingham); Hudson County, NJ (Jersey City); King County, WA (Seattle); Monterey County, CA; San Diego County, CA
- Mixed methods design
  - *Quantitative:* Survey of representative sample of center directors and licensed family child care providers*
  - *Qualitative:* Focus groups and interviews with center directors, family child care providers, subsidy administrators and caseworkers, local experts

**Note sample sizes relatively small, so confidence intervals around point estimates in following slides are sometimes relatively large.*

Percent of Centers that Currently or Recently Cared for at Least One Child with a Voucher

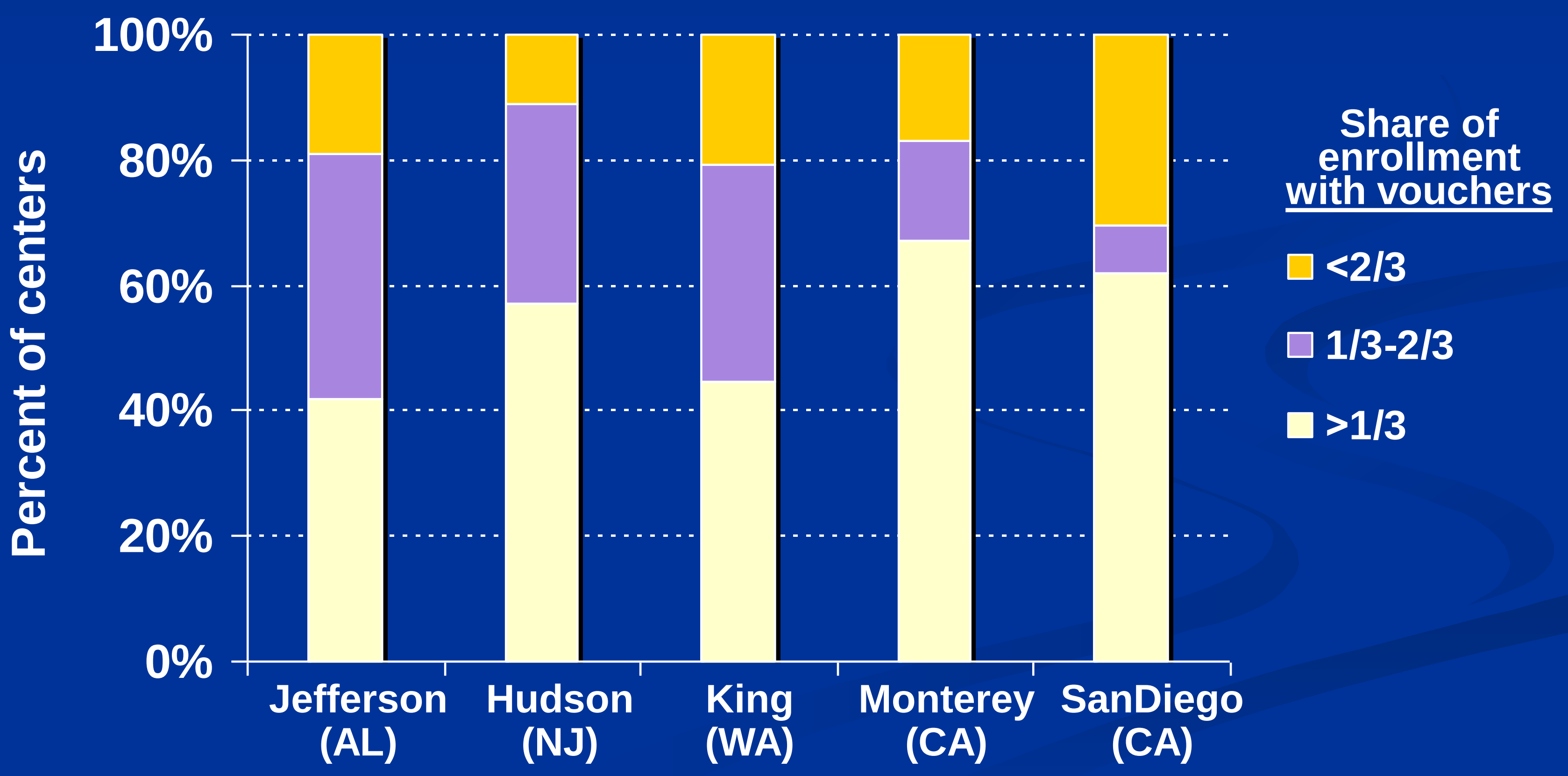


Percent of Centers and Family Child Care Homes that Currently or Recently Cared for at Least One Child with a Voucher



Percent of Centers* in which <1/3, 1/3-2/3, or >2/3 of Children have a Voucher

***(among centers with current/recent voucher children)**



Provider Willingness to Serve Families with Vouchers

- Majority of providers (82%-93%) reported being willing to serve children with vouchers
  - Different approaches to question wording resulted in similar estimates
  - Smaller proportions of those *not* currently involved with vouchers were willing to serve
- However, 36%-50% of willing centers and 39%-55% of willing family child care homes were *not* willing to have their *whole* enrollment be comprised of children with vouchers
  - A smaller subset wanted to limit vouchers to less than half of their enrollment – 12%-32% of willing centers, 5%-19% of willing homes

Bottom Line

- Voucher system works "well enough" for the majority of providers in these sites to be involved, and to be willing to serve families on vouchers
- Vouchers touch large segment of child care market in these communities – though providers vary in their reliance on vouchers
- Some providers limit the number of vouchers they will accept
- What lies behind these decisions?

Why Accept Vouchers? Strengths of the Voucher System from Providers' Perspective

- Source of reliable income
- Fills slots and supports the availability of care for low-income families
- Allows providers to serve low-income families who need services
- Provides benefits to families and children

Why Want to Limit? Challenges of Voucher System from Providers' Perspective

Depending upon the particular policies/practices, and the provider's own abilities, voucher involvement can mean:

- ***Non-payment for services provided (financial losses)*** – unpaid absent days; insufficient or untimely notification of voucher authorizations or changes; non-collection of copayments
- ***Uncertain cash flow*** – late payments, difficulty resolving payment disputes, child/family turnover
- ***High transaction costs*** – difficulty contacting voucher agency staff, burdensome paperwork, need to work with multiple agencies/programs
- ***"Hidden" costs*** – low-income families needing extra support, helping families manage vouchers

Some providers report concerns about financial & emotional costs, as well as concerns about impacts on quality of care

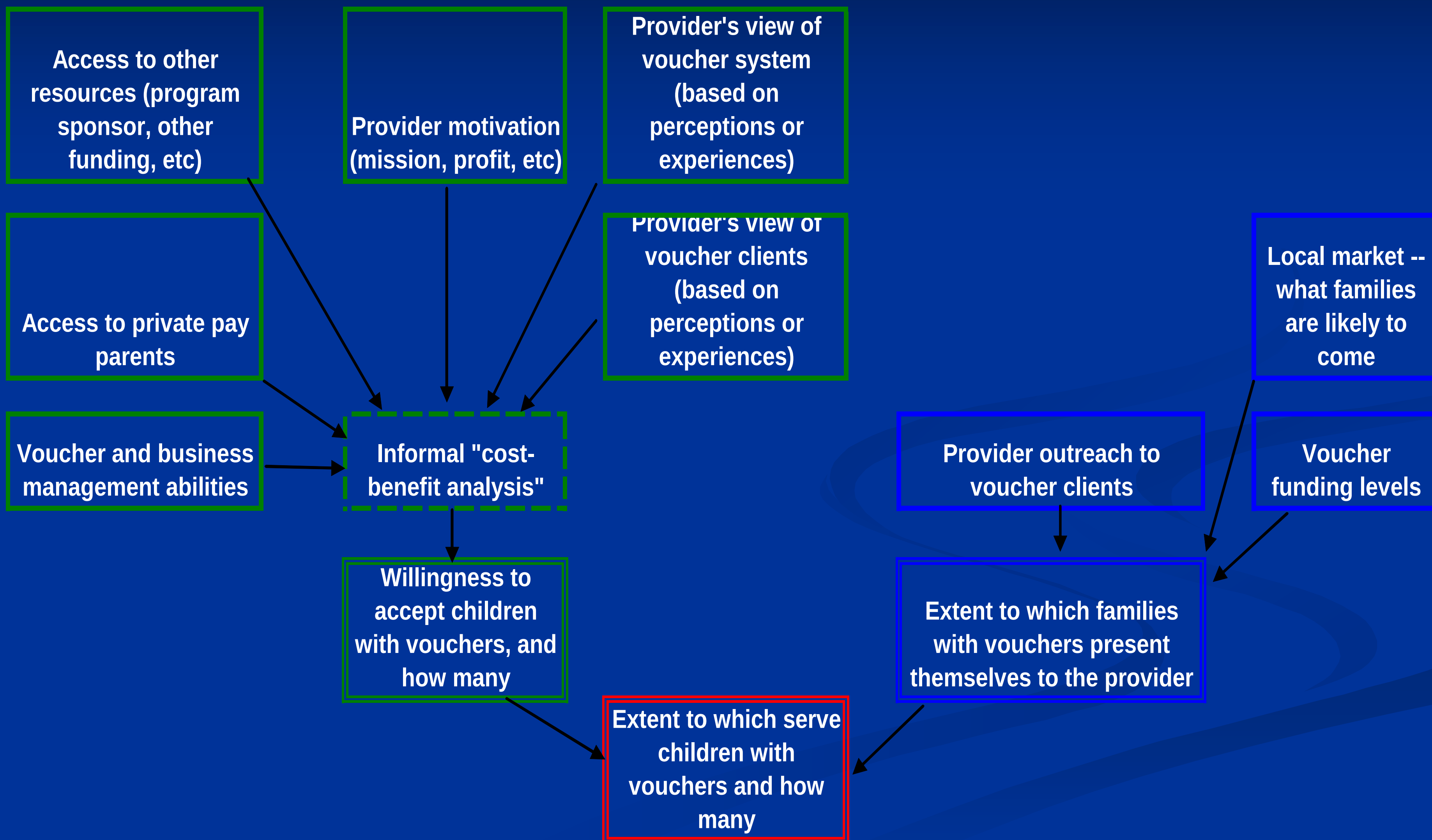
Provider perspectives on "cost-benefit" of voucher involvement

Our data suggest that providers may engage in informal "cost-benefit" analyses of voucher involvement – how they weigh the costs/benefits depends upon:

- *Provider characteristics:* Provider motivation/personality, and ability to manage business or vouchers to minimize costs
- *Market/Policy/Community context:* Extent to which have alternatives to vouchers, such as private pay parents, other income sources (*e.g.* affiliate status), or other funding streams
- *Voucher system policies/implementation:* Provider perception of, and/or experience with, voucher policies and practices
- *Characteristics of clients:* Provider perception of, and/or experience with, families receiving vouchers

Factors Shaping Provider Willingness to Serve Families with Child Care Vouchers, and How Many

A Draft Logic Model



Gina Adams and Monica Rohacek, The Urban Institute 10-24-09

Provider Strategies to Limit "Costs" of Voucher Involvement

Providers appear to employ variety of strategies to manage costs

- Limit voucher involvement
- Screen individual parents
- Buffer costs with other resources
- Use business/voucher management skills

However, not all providers are able to employ these strategies

- Those with fewest alternatives or other resources are less able to use many of these strategies to manage costs, thus are more likely to incur them
- Yet voucher-related costs for these providers still could be less costly than private-pay alternatives

Why Do We Care?
Financial Well-being and Stability

Financial condition of many providers problematic even in 2003-2004. For example, in our survey we found:

- 29-43% of *centers* reported losing money in previous year, another 24-34% reported only breaking even
- 36-41% of *family child care providers* reported at least one month where expenses were greater than revenue in previous year – with the average number of months they lost money being more than 3 months
- Our data suggest that
  - Some providers limit voucher involvement to protect financial well-being and stability
  - For providers with few alternatives to vouchers, problematic voucher subsidy policies may undercut financial stability

Why Do We Care? Quality of Care

- Quality of care is not high in the overall child care market, linked in part to resources
- Research suggests that programs receiving subsidies are not of any higher quality than the general market, and may in some situations be of less good quality – corroborated by our survey results
- Our data suggest that
  - Some providers limit voucher involvement to protect quality, which, in turn, limits parental choice of these providers (which may be those of higher quality)
  - For providers with few alternatives to vouchers, problematic voucher subsidy policies may undercut quality

Questions to Pursue

- What is the relationship between the extent to which providers are willing to serve children with vouchers (and how many), and:
  - Voucher policies/implementation practices
  - Provider characteristics
  - Market demand/community context
- Examine the quality and financial characteristics, and coping strategies of providers who are in low-income markets but:
  - Decide not to serve or limit service to families with vouchers
  - Continue to serve families with vouchers regardless

Questions to Pursue

- Identify and test possible policy strategies, understanding the complexity of the possible outcomes and variation across different types of providers – these could include
  - Reforming voucher policies and practices to minimize range of costs/maximize benefits associated with voucher involvement
  - Develop strategies to support providers in meeting the needs of low-income families
  - Identify interventions to support better financial management practices or systems

Related UI Publications

available at www.urban.org

- *Child Care Voucher Programs: Provider Experiences in Five Counties*. March 2008. Gina Adams, Monica Rohacek, Kathleen Snyder. (Available in 2 forms: Executive Summary, and Full Report)
- *Child Care Vouchers and Unregulated Family, Friend, and Neighbor Care.* March 2008. Kathleen Snyder, Sara Bernstein, Gina Adams.
- *Child Care Centers, Child Care Vouchers, and Faith-Based Organizations.* March 2008. Monica Rohacek, Gina Adams, Kathleen Snyder.