

Web of Child Supports Child Care Subsidies and the Use of Other Work Supports

Description

Over the last ten years the United States has attempted to transform low-income assistance into work-support. The Child Care and Development Fund (CCDF), Food Stamps, and Medical Assistance programs are all intended to help low-income workers maintain stable employment. The length of allowable participation varies across these programs based on family, child, and program characteristics. Research suggests that families in many states participate in CCDF for only short “spells.” The goal of this session was to better understand this puzzling phenomenon and its interrelationship with participation patterns in other work-support programs. Panelists explored what is known about spells of CCDF use and what has been learned from studies of participation in CCDF, Food Stamps, and Medical Assistance.

Facilitator

Bobbie Weber, Oregon State University

Discussants

- Gina Adams, The Urban Institute
- Elizabeth Davis, University of Minnesota
- Reeva Murphy, Rhode Island Department of Human Services

Scribes

- Chris Herbst, University of Maryland
- Meredith Willa, Child Care and Early Education *Research Connections*

Issues

- To what extent are child care subsidies used in conjunction with other income and service supports for low-wage workers?
- How does the structural integration (or not) of various support service eligibility rules affect the simultaneous use of multiple supports? Similarly, how can referral networks between agencies administering different supports encourage appropriate use patterns?
- What have we learned about the sequencing of child care and other supports? That is, do families typically receive child care first and then proceed to other supports, or vice versa (or what patterns appear most common)?
- What have we learned about the usefulness of co-location of services in facilitating the simultaneous use of support services?

Handouts in the Session Folder

- Family Participation in the Web of Work Supports

Discussion Notes

Bobbie Weber:

Introduction:

In this session we will look at what we have learned about the dynamics of participation in the subsidy program (entrance, exits, etc.) We will review the participation rates of families in these as well as other work-related support programs. In the 1990's, we began moving towards a comprehensive system of work supports; replacing the previous idea of monetary grants with specific assistance. By looking at multiple work support programs, we get more insight into child care subsidy use.

Goal of session:

To end up with a set of research questions that will serve as the “next steps.”

Gina Adams:

What do we know about the extent to which families use subsidized child care in comparison to other work-support services?

Among families with children below the age of 18 and incomes below poverty, 31% receive food stamps, 62% receive Medicaid, and 10% receive child care “assistance.” Most of the families who report getting help paying for child care also report getting at least one of the other benefits.

What explains these patterns?

- When comparing child care to other programs, there are common themes – demographics, incomes, stigmas, etc.
- But there are also some very fundamental differences – which is the focus today.
- First, we want to look at why these overarching patterns look so different in child care than in other benefit programs, and second to look at some of the particular policies and practices within the child care system that may explain some of these patterns.

The overarching patterns of lower child care participation rates can be explained, in part, by:

- Capped funding: Child care is not an entitlement for low-income families. There is no requirement by law that a family has to get it – some states put that commitment in place but many do not (this limits the number of families who get subsidies).
- More limitations on child care eligibility: All benefit programs limit eligibility by income, but child care eligibility is also limited by parent work and participation in work activity. The number of hours that parents work affects eligibility in some states. All of these things compound the impact of funding limits.
- More variable need: Child care is not as consistent a need as food stamps or health care – families come in and out of needing the support.
- Reimbursement rates: reimbursement can vary by type of care.
- Value of the subsidy: The incentive for parents to seek and maintain subsidized care depends on its value to the family.
 - * Reimbursement rates can vary by type of care, age of child and number of children in care, resulting in differential value of subsidies for families with differing circumstances and needs.
 - * How much the parent has to pay (the co-payment rate set by the state) affects the value of a subsidy relative to other options, such as free or low-cost care by relatives, or access to a high quality but otherwise unaffordable program.
 - * What alternatives are actually accessible to parents also provide incentives or disincentives to seek a subsidy. For example, do parents have access to free care? Can they get there? This is not as likely to occur in health care.

Subsidy policies and practices may differentially affect ongoing participation.

- A wide range of policies and practices contribute to subsidy use rates.
- Agencies vary in how flexible they are with parents, how they handle the normal fluctuations in families' lives, how well they monitor what is going on to make sure that families receive the correct level of subsidy, and how they determine that payments are correct to avoid improper payments.
- The eligibility basis differs by agency, and there are changes and differences within the eligible population.
- Local agencies vary enormously in the level of information required at each step (application, redetermination, etc.) and in incentives given for reporting and recertification.

- What agencies do with the information that they obtain has many implications for providers, parents and the agency itself.

Child care is unusual among benefit programs in the number of factors that can affect subsidy eligibility and subsidy level.

- Eligibility can be based on income, work status, work hours, household composition, and TANF status (none of the other systems base their eligibility requirements on all these factors, usually only income and household composition).
- Because co-payments and sliding fee scales affect what parents pay, agencies want to know changes in income, even if a family is still eligible, in order to adjust the subsidy.
- Agencies pay providers directly; therefore, they must be notified when families change providers. This is true also in Medicaid/SCHIP (State Children's Health Insurance Program), though we don't know if it operates in the same way.
- This makes a pretty long list of factors that can affect eligibility, which becomes even more challenging when you realize that low-income families are particularly likely to experience significant levels of change in these areas.
- Changes that affect child care eligibility and utilization are particularly likely to occur in two important populations:
 - * TANF families, especially those actively transitioning from welfare to work; and
 - * Families with fluctuating work hours, which we know represent an increasingly large proportion of the low-wage workforce.
 - * These two groups exert a strong influence on the fluctuating patterns in subsidized child care services.
- Because of this situation, agencies have a strong incentive to monitor changes in family circumstances in order to minimize improper payments. They do so by:
 - * Frequently collecting information on family status – i.e. at application and periodic recertification, *and* requiring parents to report interim changes;
 - * Providing subsidies for short periods of time and then re-assessing (“redetermining”) eligibility, usually within 6-12 months but possibly less for some families if their circumstances change.

- Agencies vary widely in how they collect information for initial eligibility determination, recertification, and reporting requirements – and how much parents are burdened as a result (termed “hassle factor” from the perspective of parents or “transaction costs” from the standpoint of agencies).
 - * Specifically, local agencies (within sites, within states, and across states) vary in how they define and implement the process of eligibility determination and periodic recertification:
 - How much and what kind of information is collected at each step;
 - How often steps occur (i.e. length of recertification period, whether there is a threshold for the kind of information that has to be reported on an interim basis);
 - What parents have to do in the process;
 - What the agency does with the information (for example, wait until recertification to change a subsidy or immediately change it with each reported change).
 - * Recertification and interim reporting requirements are interrelated, accounting for some of the complexity and burden of information systems.
- There can be a significant difference between policy and practice around the length of recertification periods. A recent study in Massachusetts found that although state policy calls for six-month vouchers, nearly two-thirds of the 3,295 vouchers studied were issued for less than six months.
- What agencies do in these areas has significant implications for whether families are able to retain their subsidies through the fluctuations in their lives.

States have been grappling with these issues. For example:

- If the family experiences a change in income, does the agency immediately adjust the co-payment? How quickly do they adjust it?
- What do states do for TANF work activities?
 - * Some sites have the subsidy for the same length of time as the work activity, others for a longer period.
 - * Since many work activities are short term in nature, linking the length of the subsidy directly to the length of the work activity creates more instability in parents’ ability to access child care.

- In the case of job loss, how long can parents keep their subsidy while they are looking for a new job?
- What happens when parents experience temporary changes in eligibility due to
 - * Maternity leave;
 - * Temporary disability;
 - * Summer vacations and holidays for school children who may leave town;
 - * Seasonal jobs (i.e. school-based, tourist industry, etc)?
- When eligibility is temporarily disrupted by fluctuations in family circumstances, can parents retain their eligibility for the subsidy (particularly important in states with waiting lists) and/or the actual payment for the slot (which allows them to keep their provider)?
- What do sites do to let families know that they can recertify?
- What do parents have to do to retain subsidies when they leave TANF? This is an area that many states feel is pretty straightforward as they “automatically” give eligibility, but the actual process can be much more complex than that suggests.

States and agencies vary enormously in how they deal with these complexities and the level of flexibility that they allow. Some are experimenting with being more flexible.

- While this has implications for improper payments in some cases, it also has implications for administrative costs.
- Some strategies are relatively inexpensive (i.e. notifying providers of child care subsidy eligibility redetermination dates so they can help ensure that that parents recertify).
- It is important to determine the true cost compared to the administrative cost and parent burden and to understand how these factors contribute to improper payments.
- States are also trying to learn more from the parallels with other work-support systems.

Other issues that can affect participation:

- How easy or difficult is it for parents and providers to resolve problems with the agency? Can they reach caseworkers by phone? Problems here can inadvertently result in parents losing subsidies.
- How do the child care agency staff members treat parents? This is critical.

Research questions to think about:

- What is the relative role of particular policies and practices in affecting participation? And how can we best determine this given the significant differences between policy and practice (i.e. variance in local implementation)? It seems problematic, for example, to use redetermination periods from state policy when local practices may mean that policies aren't in effect for two-thirds of the parents.
- Can we start identifying the *real* costs and benefits of having a more parent-friendly, retention-oriented system to help policymakers weigh these tradeoffs? What is the true cost of improper payments, compared to increased administrative costs, parent burden and “churning” in the marketplace associated with tighter calibration and monitoring?
- What lessons can we learn from other systems and benefit programs that have faced similar challenges? For example, how does the Food Stamp program treat redetermination and reporting? How does Medicaid deal with some of the issues around providers? And how does SCHIP deal with sliding fee scale issues?

Liz Davis:

Brief Summary of Findings from Studies of Subsidy Use and Reasons for Exiting (Oregon study):

What do we know about the duration of subsidy use?

- Typically short durations: Average spell is 3 months (Oregon) to 7 months (Texas)
- About half the families return for another short spell

Why do families leave?

Hypotheses:

- Families are employed by short-term, unstable jobs.
- Moving around a lot that would also cause disruption.
- Families are no longer eligible for the subsidy.
- Transaction ('hassle') costs diminish value of the subsidy to the family (co-pay, process, other care available, etc.).

Findings:

- Families that used the child care subsidy program were far more stable than average TANF leavers.
- About half the families were employed for at least 2 of the 3 years of study.
- About 3/4 of families who were employed when leaving the program were receiving child care subsidies.
- Based on their earnings, they were still eligible for child care subsidies.
- There were not many location changes.
- Many remained DHS clients, mostly receiving Medicaid assistance.

Why do they leave?

- A subsidy spell ends when the eligibility ends for about half the spells.
- In their “Probability of Exit” model, parents who were in the last month of their eligibility spell were 2 to 3 times more likely to end the subsidy than other parents.
- States may make recertification periods more frequent to keep take-up rates and caseloads down.
- Oregon has mail-in recertification, so it's not a function of clients not showing up for recertification. The reasons for non-take up during the recertification month remain a mystery.

Questions for Further Research:

- Is redetermination such an important factor in other states?
- How does it interact with the value of the subsidy?
- Is the subsidy worth the transaction (hassle) costs?
- How do parents manage participation in child care subsidies and multiple work supports?
- What kinds of trade-offs are families making?
- Can we make the administrative processes easier for families to maintain their eligibility?

Reeva Murphy:

Duration of Child Care Subsidy Use in Rhode Island:

- The subsidy program in Rhode Island is available to families in the Family Independence Program (FIP/TANF) and is also an entitlement for children up to age 16 in working families up to 225% of the federal poverty level.
- Caseloads for eligibility staff are large.
- Parents are expected to report changes but the agency does not have the capacity to closely monitor the details between six-month recertifications.
- A state capacity research grant from the Child Care Bureau is helping to find out what choices the families make. The grant also supported a duration study for the Rhode Island program.

Questions asked:

- What is the duration of spells in Rhode Island?
- How does that vary by family?
- Do the transaction costs have an effect?
- How do duration patterns in Rhode Island compare to those in other states?

Key Findings:

- Rhode Island had substantially longer periods than the other 4 states in the study:
 - * The median duration was 10 months.
 - * Over 50% of families had multiple spells.
- Policy changes had some effect on duration. Three policy changes over the time were studied: (1) rapid increases in rates, (2) eligibility expansions from 185% to 225%, and (3) age expansions from age 13 to age 16.
 - * Durations differed based on whether or not the family had ever received cash assistance (FIP/TANF).
 - * Current and former recipients had shorter durations than working families who had never been on cash assistance.
 - * Families with incomes less than 125% of the federal poverty level had shorter spells than those with higher incomes.

- * Preschoolers had longer durations than school-aged kids.
- * Families with more than one subsidized child in the family had longer durations than families with one child.
- * There were some regional variations.
- * Some families cycled off and on in relation to the school year.
- * Increases in reimbursement rates alone did not have a substantial impact on duration of subsidy receipt.
- * There were significant findings in analyses of families from before welfare reform – the package of welfare reforms and family supports affected the duration of subsidy receipt but specific tweaks to the child care program itself did not.
- * Family conditions made more of a difference than did subsidy conditions.

Questions for further research:

- Do changes in the co-payment methodology impact on subsidy duration?
- How do changes in the recertification process affect subsidy duration?
- How does stability of subsidy receipt interact with or influence stability of child care arrangements?
- Does provider type and quality influence stability of child care arrangements?

End of Session

Breakout session notes are brief summaries of issues, findings and ideas discussed by participants and do not necessarily reflect the views of the Child Care Bureau or other members of the Child Care Policy Research Consortium.