

## **Child Care Providers at the Intersection Of Subsidy Policy, Quality, and Families' Needs**

### **Description**

Child care providers play a multi-faceted role, as they directly serve children and families, determine the quality of care that children actually receive, and are the recipients of public subsidy funding and other initiatives. This session will highlight what we know from recent studies focusing on issues of quality, subsidy policies, and families.

### **Facilitator**

Gina Adams, Urban Institute

### **Discussants**

- Monica Rohacek, Urban Institute
- Joanne Roberts, Wellesley College
- Kathy Thornburg, University of Missouri

### **Scribe**

- Youngok Lim, Cornell University

### **Issues**

- What do we know about the providers who serve subsidized families (e.g., qualifications, training received) across settings and programs?
- What do we know about the relationship between subsidy policies and quality?
- What are providers' experiences in serving children and families on the subsidy system?
- What additional research questions do we need to explore as we study the impact of child care policies upon child care providers?
- What issues do providers raise with respect to the design and implementation of subsidy policies?

### **Handouts in the Session Folder:**

- Massachusetts Early Care and Education and School Readiness Study

### **Discussion Notes**

#### **I. Overview of Session**

##### **A. Goals:**

1. To examine what we are learning about child care providers, the subsidy system, and quality;

2. To discuss future research needs.

B. Three studies were discussed:

1. Joanne Roberts discussed the Massachusetts Cost and Quality Studies and the Massachusetts Voucher Study.
2. Kathy Thornburg discussed the Midwest Child Care Research Consortium Plus 1 Study.
3. Monica Rohacek discussed the Child Care Providers and Subsidy Systems Study, a study from 5 Counties.

## II. Overview of Each Study

A. Massachusetts Cost and Quality Study and Massachusetts Voucher Study:

1. Massachusetts Cost and Quality Study collected observation data in a randomly selected classroom and held in-depth interviews about costs.
2. Massachusetts Voucher Study tracked the flow of 3,295 vouchers for children at those centers over a 12-month period and administered surveys to directors, families, and R&R (resource and referral) staff. It also collected data through in-depth qualitative interviews with mothers, directors, family child care providers, and R&R staff. A providers' forum for 250 professionals was also held.

B. Midwest Child Care Research Consortium – Plus 1: An extensive study focused on quality rating systems:

1. The Midwest Consortium Plus 1 Study includes four Midwestern states (Iowa, Kansas, Missouri, and Nebraska) plus Mississippi.
2. All of these states have linked quality rating systems.
3. In the pilots, all of the consortium states are using environment rating scales, provider surveys, director surveys, and focus groups.

C. Care Providers and the Subsidy System: A Study of Five Counties (Urban Institute Provider Study):

1. The Child Care Providers and Subsidy Systems Study looked at characteristics of subsidized providers when the subsidy was funded through vouchers (the study did not include care subsidized through contracts).

2. Study Sites included five counties in four states: Alabama, New Jersey, Washington, and California.

### III. Provider Characteristics

#### A. Massachusetts Studies

1. MA Cost and Quality Study finds:
  - a. Overall quality: Significantly lower for centers serving primarily low to moderate-income families;
  - b. Staffing time allocation: Centers serving low to moderate income families tend to use assistant teachers rather than teachers;
  - c. Teachers' Education: Higher levels of education for teachers in centers serving higher income families.
2. MA Voucher Study finds:
  - a. Most children using vouchers were subject to discontinuous, unstable care;
  - b. Nearly 2/3 of the 3,296 vouchers tracked were issued for less than 6 months.

#### B. Midwest Consortium finds:

1. Two-thirds of programs receive subsidies;
2. Centers that receive subsidies in Kansas and in Missouri are more likely to be accredited.

Question: What about centers that accept subsidies but have few subsidized children?

Response: We have data on density of subsidies but haven't analyzed them yet.

Comment from audience: The programs with higher density of subsidy tend to have lower quality.

Response: It is not a clean-cut picture: Centers that take subsidies are more likely to be accredited in Kansas and Missouri. However,

family child care homes that do not take subsidies are likely to have better qualifications or training.

Question: About comparison across Iowa, Kansas, Missouri and Nebraska:  
Do Kansas and Missouri get more subsidies if they have accreditation?

Response. In Missouri providers get a 20% bump-up if they get accredited.

C. Urban Institute Provider Study finds:

1. 80% of centers in 3 sites and 60% of centers in 2 sites serve at least one child with a voucher, while slightly smaller proportions of licensed family child care homes do so.
2. The education levels for teachers, directors, and family child care providers in subsidized programs appear lower than or equal to those in non-subsidized facilities.
3. The likelihood of subsidized providers having 10 hours of training in the past year appears higher than or equal to the likelihood of non-subsidized providers having 10 hours of training.

Question: Does this finding have something to do with licensing requirements?

Response: We don't know – we have not looked into it. Although it is preliminary, this study suggests a very complicated picture. The outcomes vary by place, type, and the variables we look into.

Comment from audience: It is usually said that children from high-income families and children from low-income families receive high quality child care compared to the children from middle-income families.

Response: That finding came out from 1990s Cost, Quality and Outcome study.

Response: Head Start programs may or may not be in the part of subsidy system in the study.

Response: We would not expect the subsidy system to change the general quality, but indirectly subsidies may be linked with training or other requirements in order for providers to get funding.

**IV. Exploring the Connections between Subsidy Policy and Provider Characteristics**

**A. Massachusetts Voucher Study finds:**

1. Voucher reimbursement rates are significantly below market rates in Massachusetts;
2. Voucher administration required two days of work per week;
3. Centers lost revenue for an average of 30 days per year due to free care for children whose vouchers were terminated.

**B. Midwest Consortium finds:**

1. Overall QRS ratings (1-5 Stars) for Missouri:
  - a. Urban centers that received subsidies scored lower than rural centers that received subsidy;
  - b. Urban family child care homes that received subsidies scored higher than rural family child care homes that received subsidies.
2. MW Consortium Experiences of Providers (3 Studies – MCCRC and Project REACH):
  - a. From family, friend and neighbor providers, we heard complaints about delayed payments.
  - b. From a survey of licensed providers we heard mostly positive comments.
  - c. Some of the problems, however, are late checks, parents' humiliation from caseworkers, updated payment fees (parents cannot pay the difference), difficulties with foster care payments, and losing money due to the fact that the provider was not aware that the agency had dropped the children.

**Question:** Do you think subsidy should be tied to your quality rating?

**Response:** Qualitative data suggest that subsidy provides child care providers with an incentive to take state children because the state will pay a little more and child care providers want to improve their quality. They express their need for funding to make quality improvement possible.

C. Urban Institute Study finds:

1. Subsidy policies and implementation practices may affect providers and quality of care by influencing the following:
    - a. How much money providers receive;
    - b. Funding stability or reliability of those funds;
    - c. Transaction costs or how easy or difficult it is to work with subsidy agencies.
  2. How much are providers affected? Are notification procedures to blame?
    - a. Providers lose revenue when a family loses a voucher, due to their not knowing that the family has lost its voucher.
    - b. The solution is more complex than “sending out notification in a more timely way.”
- Comment from audience: Sometimes there are 10 days of continuing funding after eligibility is terminated.
3. Stability & Reliability of Payments: Timeliness
    - a. Providers experience problems with late payments and – more seriously – lost revenues.
    - b. Problems appear primarily related to paperwork mistakes, procedures for correcting mistakes, and ability to cut checks outside of a “normal” batch.
  4. Transaction Costs: Reaching Caseworkers
    - a. Providers reported difficulty in reaching workers by phone

V. Open Discussion

Question: Do caseworkers mention problems with caseloads?

Response: States are really struggling to find a right way or efficient way to handle the caseloads on child care subsidy vouchers.

Response: Massachusetts finds caseloads are really high. I cannot remember the exact number at this moment but it's in the full report.

Response: One thing to note is that caseloads are tricky to define.

Response: Another problem is that vouchers often last less than 6 months.

Response: The caseload volume matters but we also find that local implementation – local agency practice – is really important. Even though the state seems to be doing well, that may not be the case when we look into the local level.

Response: Missouri began an on-line system, so it is getting better.

Question: Do you see any effort to streamline the paperwork in order to reduce caseloads?

Response: The analysis has not been done yet but there are a lot of variations there.

Comment from audience: Providers make a lot of errors in their paperwork. Then there is a lot of back and forth between the agency and providers with the paperwork, so that finally the providers miss a payment cycle.

Response. There has not been a lot of discussion about what is good practice. Sometimes fixing a problem may not cost much.

Response: In Massachusetts, we heard about providers who had to hand-deliver paperwork. Then providers get a negative feeling about vouchers because they feel the system does not work right.

Response: In the Urban Institute study, we asked people about using technology. Responses suggest that the use of technology, especially the Internet, is not so low as previously believed.

Question: About breakdowns at the local level, the real issue is about standardizing everything. Does the wide diversity of local practice make you wonder about the need for standardizing practice?

Response: Something may not work in reality or practice, although it is a good idea in theory.

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.*