

State Child Care Subsidy Rate Setting Policies

Description

Market rate surveys are intended to ensure that child care subsidy programs give low-income families access to care that meets their needs. This session focused on key decisions states make in setting maximum payment rates:

- Number of rate categories (some states have almost 150 distinct rates);
- Conversions of payment modes (such as from weekly to monthly); and
- Creating rate areas (states are experimenting with ways to define geographic rate areas).

Findings on rate-setting practices from a survey of the market-rate survey practices of states, territories, and tribes were used to frame a discussion of the pros and cons of rate-setting options states have. Discussants and participants identified questions research could address in order to support state rate-setting decisions.

Facilitator

Bobbie Weber, Oregon State University

Discussants

- Deana Grobe, Oregon State University
- Jason Bierbauer, University of Wisconsin-Extension
- Carolyn Drugge, Maine Department of Health and Human Services
- Daniel Schroeder, University of Texas-Austin
- Philip Garnier, University of Illinois at Urbana-Champaign

Scribes

- Chris Herbst, University of Maryland
- Rae Anderson, National Child Care Information Center

Issues and Sub-Issues

Child care markets are local. To what extent can rate areas capture rates for a community?

- What is the basic geographic unit for a market rate study: zip code, county, other?
- On what basis does a state determine the number of rate areas to have?
- How big does a community need to be in order to be its own rate area?
- What issues are related to different rates for contiguous communities?
- Specifically, what are the options for low-income communities surrounded by high income communities?
- Do issues of feasibility shape decisions about number of rate areas?

- How much do rate areas change over time?
- With what community demographic characteristics are rate areas correlated?

Providers charge in different modes (i.e., hourly, daily, weekly, monthly). Does the number of rate categories used by states affect access?

- How many rate areas do states use?
- On what basis are modes of payment selected?
- Selection of fewer modes than those used by providers requires conversions. What effects do conversions from one mode of payment to another have on the validity of rates found in the study?
- Do feasibility issues limit the number of payment rates a state has?

What is the ideal relationship between market rate survey findings and child care subsidy policy?

What methods can accurately measure the amount of access current subsidy rates give to child care?

Documents in the Session Folder

Discussion Notes

Context

- Survey of States, Territories, and Tribes
- State examples and highlights
- Discussion centered on
 - * Data collection (what data are you using?)
 - * Rate area (how do you define your unit?)
 - * Units of rate conversion (what temporal units are used?)

Overview of Market Rate Survey of States, Territories, and Tribes

- An on-line survey was conducted to get some idea of what states are doing with market rate surveys.
- The purpose of this survey was to (1) identify key informants in each state who are knowledgeable about different aspects of their market rate survey, and (2) obtain data on states' most recently completed market rate survey.
- All 50 states and DC, 32 tribes, and 5 territories were contacted.
- The survey instrument and data collection process was designed with feedback from a national survey advisory committee.

- This survey did not work well for tribes and territories.
- We have preliminary findings from 46 states.
 - * Most states include regulated centers and family providers in their provider population, and are either using the total population or stratifying by various characteristics in their market rate surveys.
 - * We analyzed the data mainly by county, region and whole state. One was analyzed by zip code.

Issues from the Audience

What is the meaning of these “geographic area or units?”

Does it make sense that this would represent a unique set of child care prices?

We need to understand what really is related to a geographic unit of prices and then think about using some other kind of rate setting criteria.

Do parents have a voucher that is worth something in their community?

To what extent can a rate area capture rates for a community?

What happens within contiguous areas when there are different prices, etc.?

How are rates converted into different temporal categories (Pre-determined modes: hourly, daily, weekly, monthly)?

Oregon (Bobbie Weber)

- Oregon uses Resource & Referral and administrative data.
- We let the zip codes cluster into groupings of similar prices.
- The number of rate areas used is driven by the data – how many distinct clusters emerge from the data.
- “Smoothing:” if a zip code ends up in the middle of an area surrounded by a higher rate, we smooth into the higher rate so that rates are consistent in a community.
- Currently Oregon has 3 rates areas (A B C). Counties share similar rates but may not be contiguous.

- The team examined which community characteristics are associated with the rate areas that arise from clustering similar prices, including percent urban, median housing costs, median rent, household income, and urban/rural dimensions.
- Housing costs and child care prices are highly correlated (.84). Household income is also highly correlated with child care prices.

Illinois (Philip Garnier)

- Salaries are not as correlated with child care rates as are median income and housing.
- There is a high correlation (~.70-.80) between income and housing.
- If states are going to pre-determine their rates, their rate structure, and rate areas, it is important to continue researching which of these characteristics are most highly correlated in order to best address the needs of families.

Minnesota (Bobbie Weber)

- The highest level of association is between child care and housing (median housing, median rent – census data).

Wisconsin (Jason Bierbrauer)

- Rates are set by county – each has its own rate.
- Some counties are so small
 - * What happens when there is only one center in that county – or none?
 - * How many were determined by the highest price in the county?
 - * What is the reason to group counties?
 - * Are we really measuring what the maximum rate in the county is – or more than the actual rates?
- A rate can't be more than 10% different than the year before.

Illinois (Philip Garnier)

- There needs to be a valid explanation for the rate – must be based on analysis of data – and always consider what the behavior really is in the market. Equitable reimbursement rates depend upon **empirical** analyses of **local** markets.

- Market rates do generally reflect the other economic indicators – they are consistent with housing costs, salaries, and other social service indicators.
- To what extent are subsidies driving the rates?
- Zip codes do not show any correlations with market rates in Illinois, but this is a coincidental relationship – zip codes seem to have been assigned low to high, outward and southward from the Chicago area. Similarly, Illinois does less well economically as one goes outward and southward from Chicago.
- How should we think about markets? What if, instead of *a priori* clustering by counties or other existing political entities, we examined parental selection of child care (e.g., commuting patterns – where parents live and where they shop, work, or choose child care)?
- Illinois doesn't typically reimburse providers at the 75th percentile – As a whole, rates are closer to the 30th percentile statewide, but in some very poor counties the reimbursement rates are higher.

Comment. I'm not sure I understand whether it is worthwhile to come up with three groupings and take the top and bottom rate to come up with a rate for "their" market. Does it really reflect "their" market? How can we be certain we are grouping appropriately?

Question. What is the concern about the small sample size within a geographic unit?

Response: The uncertainty in the data collected – to make certain we get a significant sample to get a reflective rate. There are so many child care markets – infant care, family care, center care, etc.

Comment. It might be good to ask Maryland to do a similar data analysis – collect data similar to those presented.

Texas (Daniel Schroeder)

- Validity of conversions is a big question – some of the formulas are actually spelled out in the contracts.
- Texas collects rates in whatever mode the providers report then converts to daily rates.
- There are 672 rate categories in Texas. Absolutely mind-boggling.
- Texas does a lot of different conversions.

CCPRC Annual Meeting
Concurrent Breakout, Session 9
Tuesday, April 25, 1:00 p.m.

- Effect of conversions – weekly is by far the most commonly reported rate mode; thus, if we converted the other modes to weekly (rather than daily, as is current practice) we would have fewer problems.
- After converting to daily rates, center rates originally reported as monthly yield the highest daily rate; those originally reported as hourly yield the lowest.
- After conversion, those originally reported as daily rates have the least variance – this suggests that we are distorting rates by converting rates to daily rates. Other rates have a larger variance.
- Fewer rate areas and multiple reporting modes would be preferred.

Maine (Carolyn Drugge)

- Discussions on how to simplify payments for school age care are needed.
- Maine designs the contract for the market rate survey to ensure that the required information for policy decisions is provided:
 - * Requires a 70% rate of return on the survey;
 - * Rates reported at percentile state plans to use;
 - * Report in mode state plans use;
 - * Report by geographic area;
 - * Provide comparison data by county on housing costs, rent, household income, livable wage data, and unemployment rates.
- With the increased number of four-year-olds in pre-kindergarten, part-day rates need to be determined for this age group.
- Use a mechanism to adjust for subsidized rates.
- Compare minimum wage rate with in-home rates.
- Maine revises the market rate every two years, uses findings from the survey, and sets rates at the 75th percentile.

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.