

Cost modeling for child care policies: What data are needed and how can states deliver?

Summer Workroom?

CCEEPRC

June 29, 2023



P-5
Fiscal
Strategies

01

Cost modeling for rate setting

Difference in Rate Setting Approaches

Market Rate Approach

Uses tuition prices to set rates

Supports understanding the prices charged families

Sources:
Market rate survey, statistical analysis of rates

Cost Model Based Approach

Uses current cost information

Supports understanding the insufficiency of current rates

Sources:

Primary data collection:

- Provider survey
- Provider Interviews and focus groups

Secondary data:

- BLS data; Workforce Survey; Living Wage calculators; other local provider cost data collection
- Technical or advisory work group(s)

Uses true cost of care information

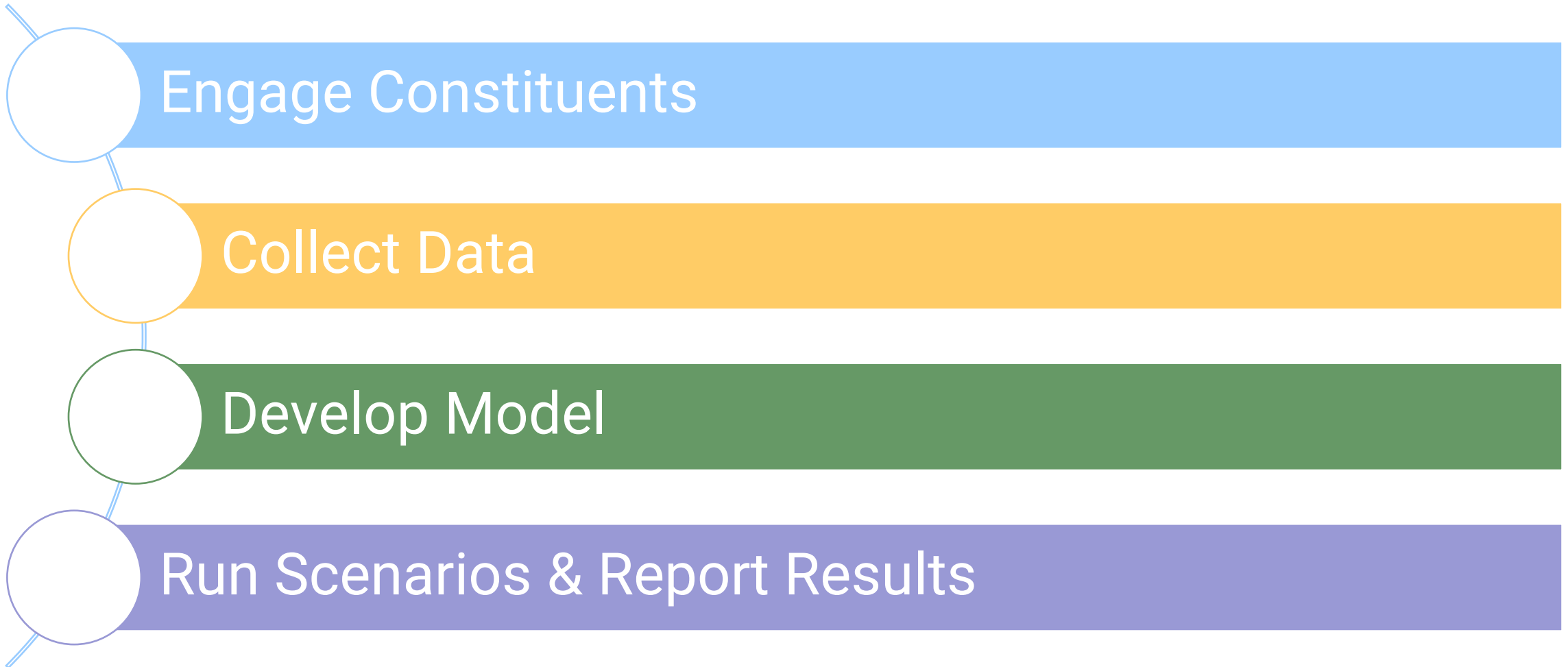
Supports understanding funding level needed for maintaining and growing programs to inform rate setting

What is a cost model?

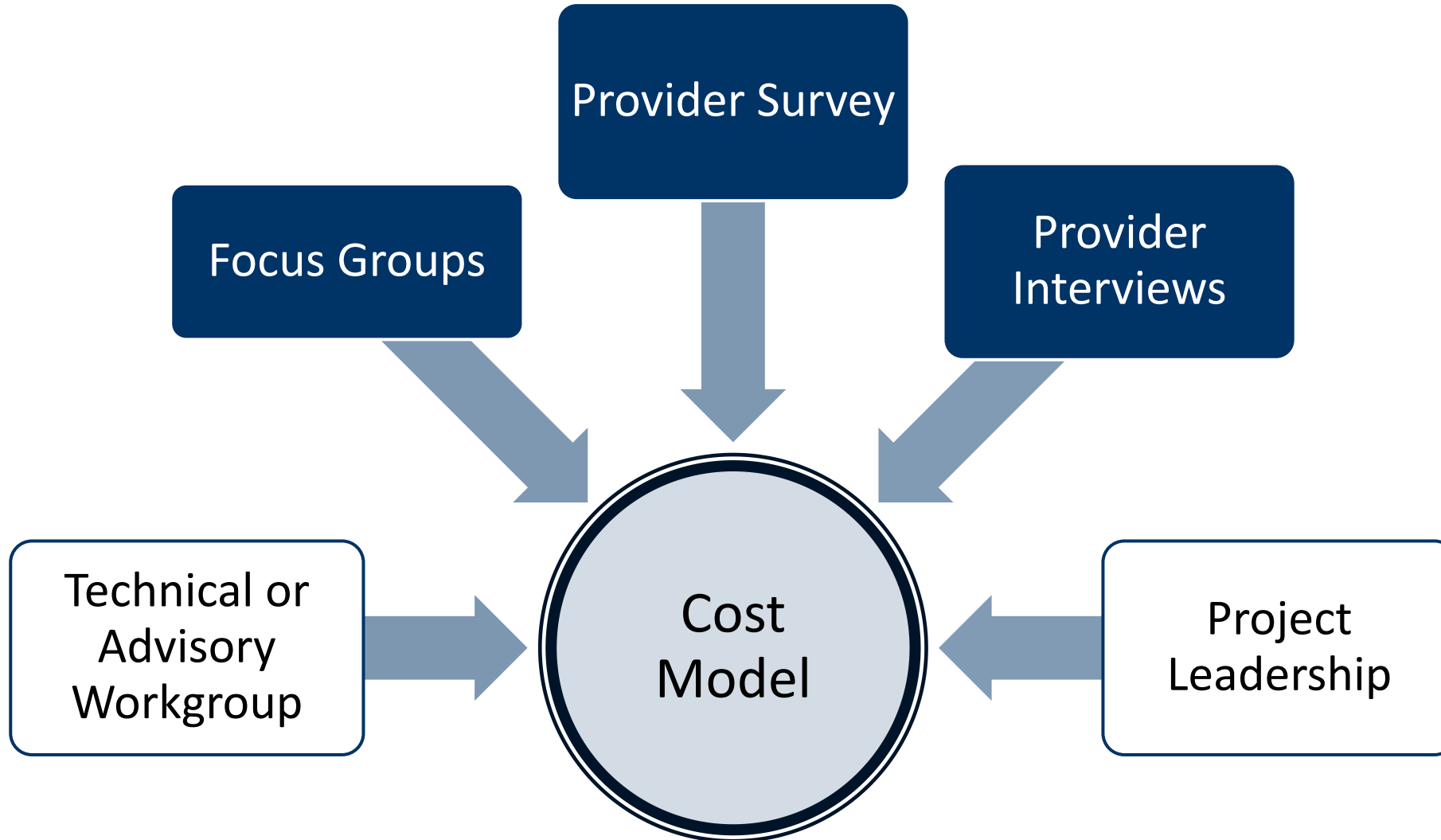
- Tool to understand the cost of providing services with variations for different program and child characteristics
- Uses multiple data sources and points, which are driven by the selections that the user makes in running the tool
- Can identify the gap between the costs and the revenue sources
- Answers vary based on selection points chosen



Key steps in developing a cost model



Opportunities for data collection and provider input



Data collection efforts must promote accessibility

- Language
- Reading level
- Platform
- Timing

Personnel

- Salaries
- Benefits
- Ratio/Group size
- Additional staff

*60-80% of expenses
are personnel*

Nonpersonnel

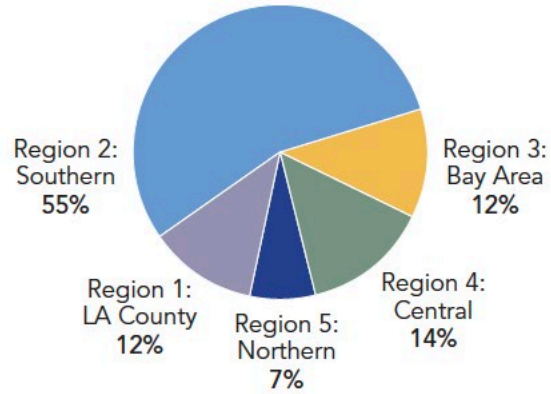
- Rent/lease/mortgage
- Utilities
- Supplies and equipment
- Transportation
- Food
- Administrative



Tracking data responses

Figure 5: Distribution of Survey Sample by Study Region and Distribution of all Licensed Child Care Sites by Study Region

Total Survey Responses by Region



CA Licensed Sites by Region

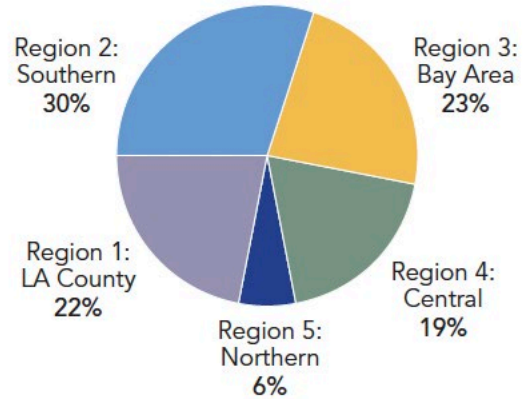


Figure 4: Geographic distribution of responses

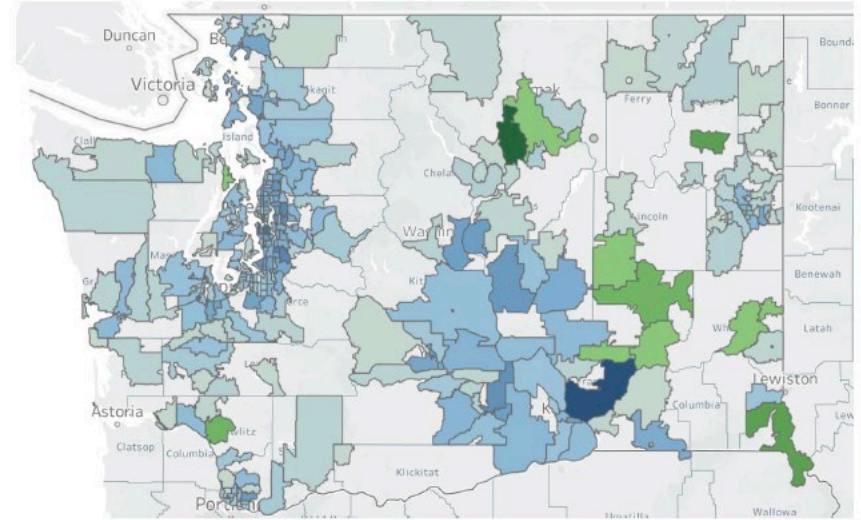


Figure 3: Survey responses by provider type, compared to provider population

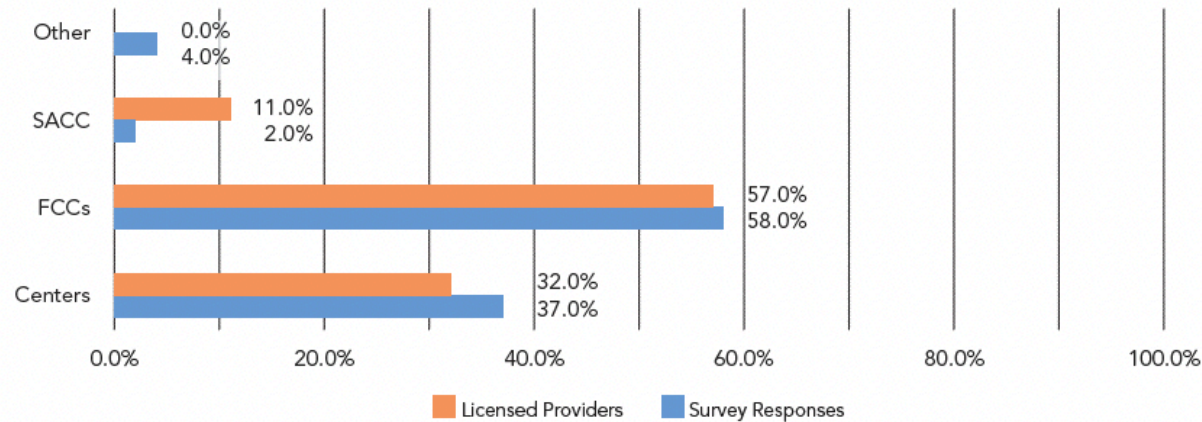
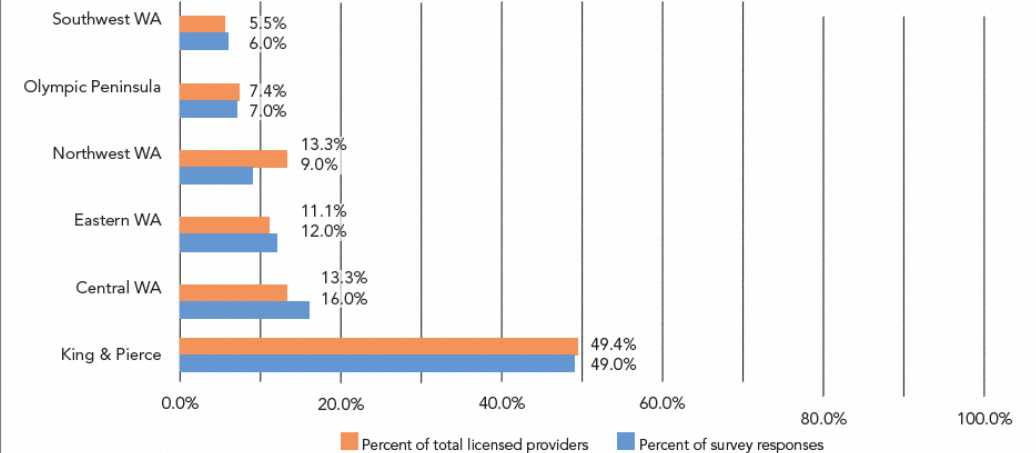


Figure 6: Comparison of distribution of survey responses and licensed providers, by region



02

Beyond rate setting

Uses of cost modeling results

- Subsidy rate setting
- Grant or contract setting
- Costing out specific initiatives
- Quality improvement incentives
- Systems change planning
- Advocacy



Direct Service

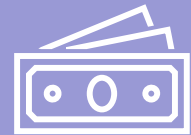
- Child Care
- PreK
- Home Visiting
- Early Intervention

Systems Modeling

- Quality supports
- Infrastructure
- State and local systems building



- Building capacity for higher quality
- Addressing compensation needs of child care workforce
- Paying on enrollment not attendance
- Incentivizing delivery of care:
 - Infants and toddlers
 - Underserved areas
 - Family child care setting
- Using alternative methodology to inform subsidy rate setting
- System-wide planning



Funding Mechanisms:

- ✓ Contracts
- ✓ Tiered Reimbursement
- ✓ Incentives/Grants

New Mexico Change in Action

Child Care Model

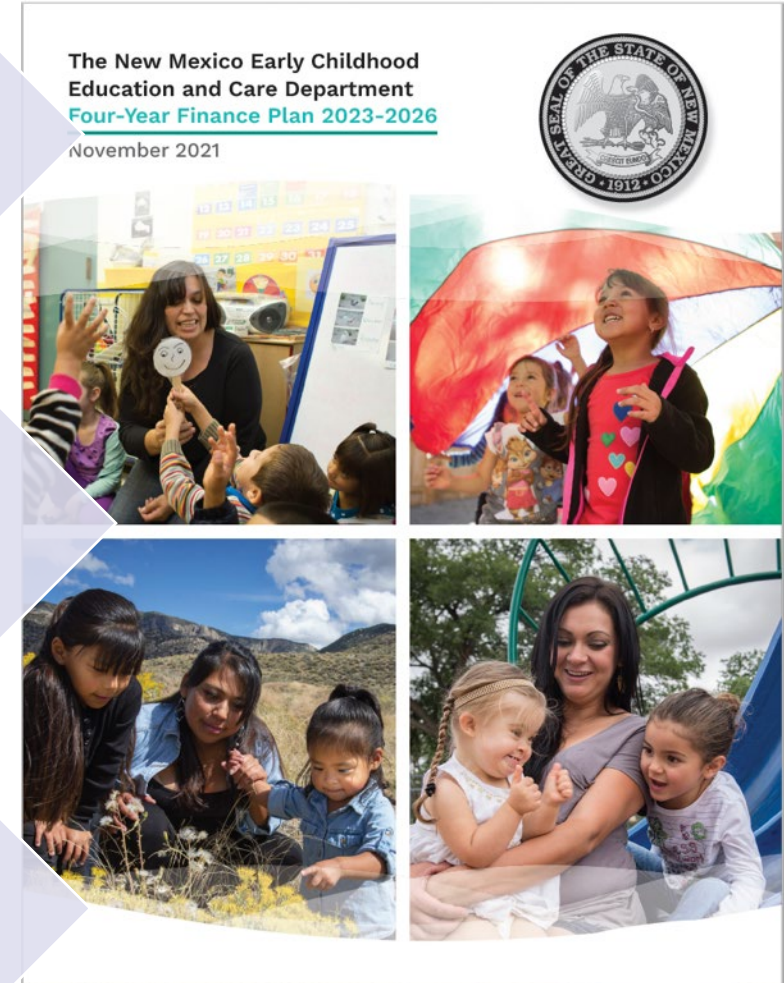
- Changed rates to address inequity in funding family child care
- Increased infant and toddler rates to cover cost of care
- Increased compensation levels used

Home Visiting Model

- Increased rates paid for home visiting services by 50%
- Used model to address inequities in Medicaid rate setting across HV types

System Model

- Supported increase in child care eligibility ceiling and elimination of parent co-pays
- Budget and planning for use of Trust driven by quality, access and associated infrastructure needs for the system





Resources



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