



State & Territory CCDF Administrators Meeting

July 30–August 1, 2019 • Hyatt Regency Crystal City • Arlington, Virginia

Rate Setting:

Do you have the right data for the task?

National Center for Subsidy Innovation and Accountability

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Care Program

Session Objectives

- ◆ Identify the data needed to effectively inform rate setting that supports equal access to quality care, making sure studies are valid and reliable.
- ◆ Fully understand and prepare for conducting a narrow cost analysis.
- ◆ Learn from other states' experiences in gathering and using data for rate setting.
- ◆ Consider all data needed for rate setting.

Agenda

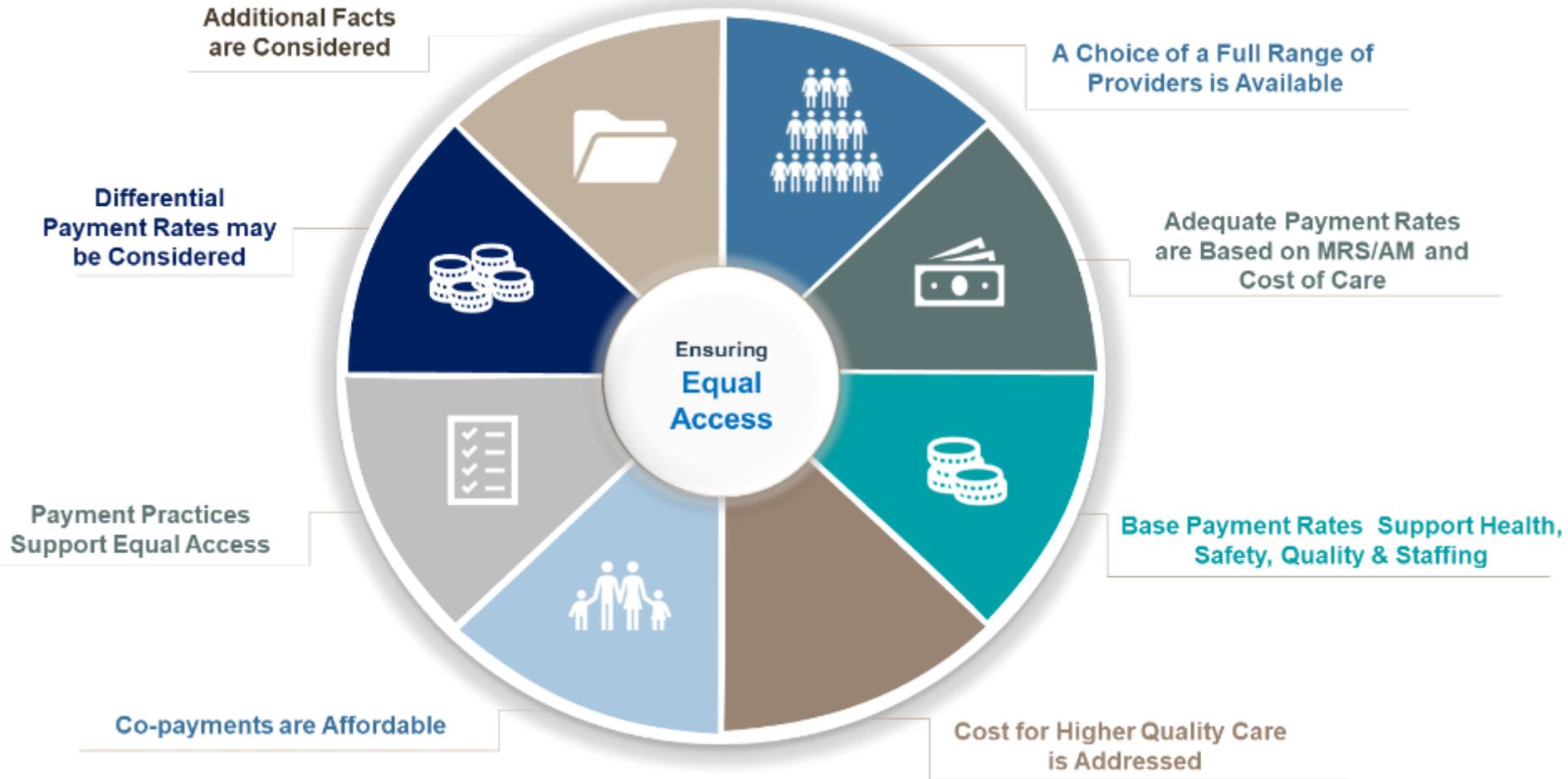
- ◆ Welcome
- ◆ Rate Setting as a Part of Equal Access
- ◆ 3 Key Activities
 - Learning from Michigan's Experience
- ◆ Next Steps



Welcome

What role do you play in the rate setting process in your state?

- Design study process
- Gather data for study
- Present data to others
- Make recommendations on rates
- Determine rates
- Prepare final detailed report
- Other



Key Activities

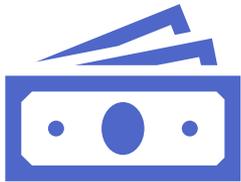
- ◆ Market Rate Survey/Alternative Methodology
- ◆ Narrow Cost Analysis
- ◆ Detailed Report



Market Rate Survey or Alternative Methodology



Lead Agencies are required to conduct, no earlier than two years before submission of their plan, a market rate survey or an **approved** alternative methodology.



In either case, when setting payment rates, the Lead Agency must also analyze the estimated costs of providing child care.

*Market Rate Study/Alternative Methodology timeline for 2022-2024 CCDF Plan:
July 1, 2019-July 1, 2021.*

Decide which study to pursue

Market Rate Survey: Prices

- ◆ Pre-approval not needed
- ◆ Consult with Advisory Council
- ◆ Ensure statistically valid and reliable study
- ◆ Prepare detailed report
- ◆ Use data, along with cost analysis to set rates

Alternative Methodology: Costs

- ◆ Seek and obtain preapproval from OCC
- ◆ Consult with Advisory Council
- ◆ Ensure statistically valid and reliable study
- ◆ Prepare detailed report
- ◆ Use data, along with cost analysis to set rates

What data do you need from your MRS?

- ◆ Prices charged by categories and listed as percentiles (age, geographic area, type of care)
- ◆ Number/percentage of providers accepting subsidy and by geography (to ensure equity)
- ◆ Providers' additional charges
- ◆ Providers' desired capacities or average enrollment, by age group
- ◆ Providers' definitions of full and part time
- ◆ Providers' response rates

What additional data would be beneficial?

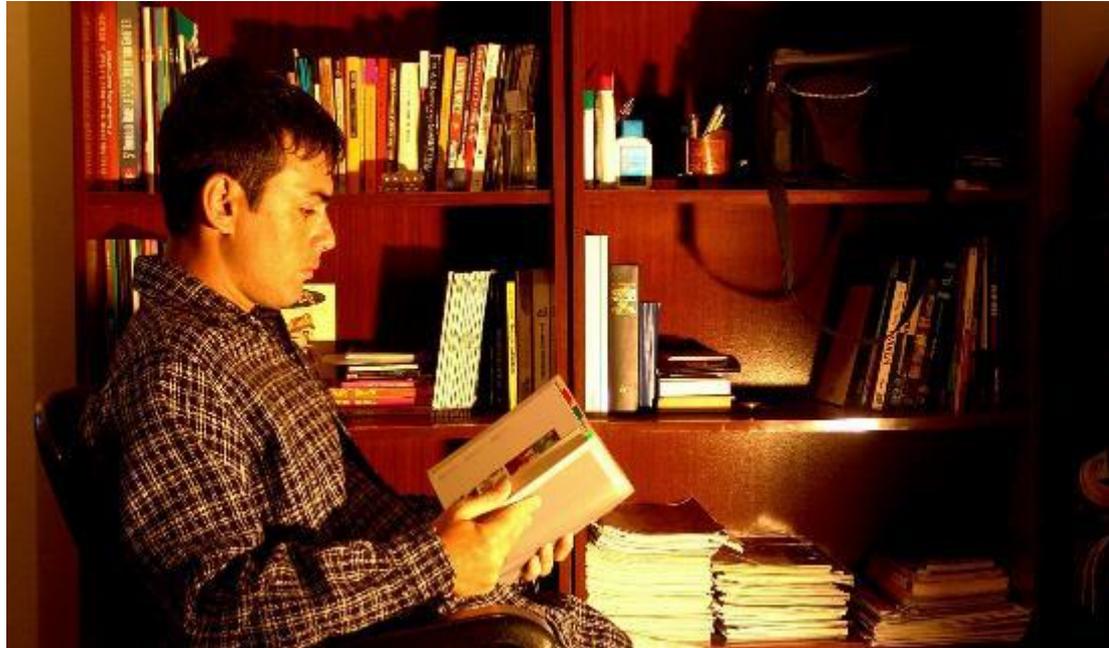


Table or group brainstorm



Child Care Market Rate Study

Prepared for
Michigan Department of Education, Office of Great Start
Prepared by
Public Policy Associates, Incorporated

Narrow Cost Analysis

- ◆ **Purpose:** To evaluate gap between costs and payment rates. Cost information should be used to narrow difference between costs and rates.
- ◆ **Flexibility:** Lead Agencies may determine approach and method for narrow cost analysis. May use existing cost information to limit burden.
- ◆ **Use:** Depending on rigor of analysis, Lead Agencies determine weight to assign to results in rate-setting process.

What data do you need from narrow cost analysis?

- ◆ Cost estimate for base level care
- ◆ Cost estimate for each level of quality as defined by lead agency
- ◆ Gap analysis between prices and costs



How will you gather data?

- ◆ ***Simple Estimate:*** Use salary or facility data to estimate costs – “back of envelope” estimate
- ◆ ***Cost Survey:*** Study at facility or program level to measure total costs for inputs to deliver child care
- ◆ ***Cost model:*** Method to estimate costs based on assumptions about structure of program and other inputs

Market Rate Survey
A study of

Prices

and

Analysis of Estimated

Costs

=

Required for

Rate Setting

(Narrow Cost Estimate)



DAY CARE BUSINESS EXPENSES (continued)		
ADVERTISING/PROMOTION: Newspaper ads, business cards, Day Care tents/wearables, etc.		
AUTO EXPENSE (see owner's log)		
EMPLOYEE BENEFITS: Health insurance purchased for employees		
INSURANCE: Business Liability		
INTEREST: on items used for day care only		
Paid to financial institution		
Day Care only credit card		
LEGAL & PROFESSIONAL: Day Care only attorney or accountant fees		
OFFICE SUPPLIES: Postage, stationery, pens, pencils, small office equipment, holiday or birthday cards, Day Care record books, calendars		
PENICIL PLANS for employees		
RENT: Building (if Day Care not in home)		
Toy rental		
Videos/DVDs		
REPAIRS and MAINTENANCE		
SUPPLIES: Household cleaning supplies, hand soap, tissues, paper towels, paper cups, plates, disposable tableware, etc.	100% Day Care	Shared
Activity or children's supplies, games, toys, crayons, and markers		
TAXES: Excise taxes		
UTILITIES & TELEPHONE:		
Telephone (business line - if you have one)		
Personal phone (cell phone cannot be deductible)		
EXTRA: extension (phone costs for Day Care)		
Long distance costs for Day Care		
WAGES: (using your copy of W-2s if they have been filed)		
Wages to spouse (subject to payroll tax)		
Children under 18 (not subject to Social Security & Medicare tax)		
Other wages		
BANK CHARGES/DEBIT CARDS: Business account only - cost of printed checks, service charges.		
CLOTHES: For Day Care children - caps, mittens, diapers, etc.		
DUES & PUBLICATIONS: Day Care license, association, Day Care magazines for adults or children		
EDUCATION: Workshop registration, books, supplies		
FOOD: (see other side)		
GIFTS: For Day Care children and true employees - holiday, birthday, etc.		
LAUNDRY & CLEANING: Professional cleaning of furniture, carpeting, drapes, only a percentage will be allowed unless you can show that Day Care was 100% responsible for cleaning		
Directly related to Day Care		
Partially related to Day Care		

- a) Infanter (6 months), full-time licensed center care in the most populous geographic region
Rate \$ [118] per week unit of time (e.g., daily, weekly, monthly)
Percentile of most recent MRS: [33rd]
- b) Infant (6 months), full-time licensed FCC home in the most populous geographic region
Rate \$ [102] per week unit of time (e.g., daily, weekly, monthly)
Percentile of most recent MRS: [33rd]
- c) Toddler (18 months), full-time licensed center care in the most populous geographic region
Rate \$ [118] per week unit of time (e.g., daily, weekly, monthly)
Percentile of most recent MRS: [33rd]
- d) Toddler (18 months), full-time licensed FCC care in the most populous geographic region
Rate \$ [102] per week unit of time (e.g., daily, weekly, monthly)
Percentile of most recent MRS: [33rd]
- e) Preschooler (4 years), full-time licensed center care in the most populous geographic region
Rate \$ [102] per week unit of time (e.g., daily, weekly, monthly)
Percentile of most recent MRS: [27th]
- f) Preschooler (4 years), full-time licensed FCC care in the most populous geographic region
Rate \$ [95] per week unit of time (e.g., daily, weekly, monthly)
Percentile of most recent MRS: [33rd]
- g) School-age child (6 years), full-time licensed center care in most populous geographic region
Rate \$ [102] per week unit of time (e.g., daily, weekly, monthly, etc.)
Percentile of most recent MRS: [33rd]

- Used Provider Cost of Quality Calculator (PCQC)
- Included secondary data
- Interviewed 11 providers

The Cost of Providing Quality Child Care

Market rate data alone do not provide much insight into the cost to providers to provide that care. Exploring how providers' costs relate to market rates is important for understanding whether or not providers are collecting the revenue necessary to sustain Michigan's child-care system.

To assess the cost of quality care to meet the health and safety standards in Michigan, PPA used a pre-programmed model: the Provider Cost of Quality Calculator.¹⁶ The PCQC allowed PPA to alter inputs systematically to determine what impact various factors could have on a provider's bottom line. Data used to inform PCQC inputs were drawn from the market rate survey results, as well as multiple secondary sources, including:

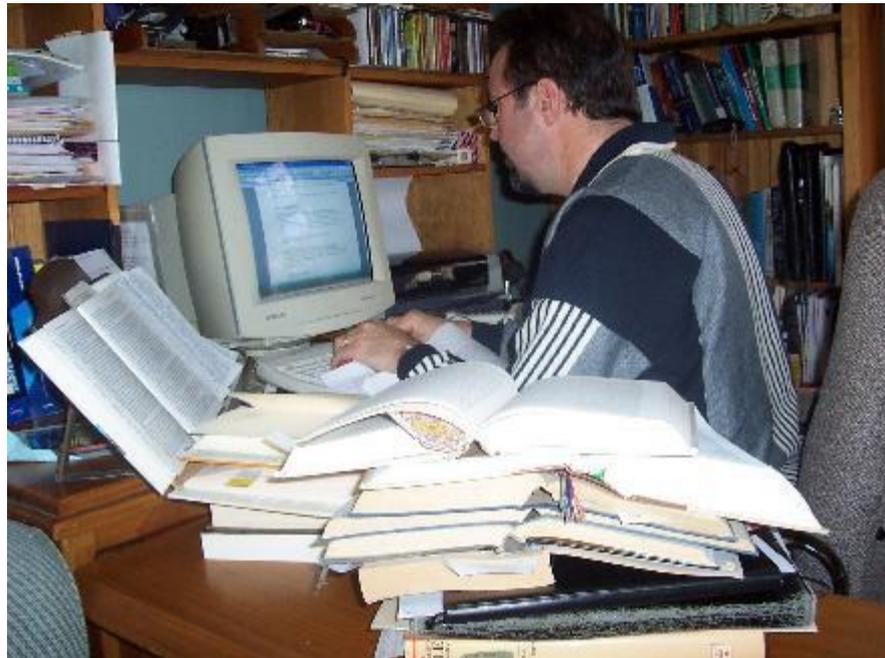
- The Bureau of Labor Statistics (BLS)
- The Michigan Department of Licensing and Regulatory Affairs, Child Care Licensing Division
- The Michigan Department of Education, Office of Great Start
- The Center for Educational Performance and Information (CEPI)
- The Early Childhood Investment Corporation (ECIC)

Don't forget: Other information you must track

- ◆ Number/percentage of providers that accept subsidy
- ◆ Extent to which providers participate and barriers to provider participation, including those related to low rates
- ◆ Providers' other charges, including differences between subsidy and price, and information about providers' generally accepted payment practices
- ◆ Extent to which providers charge parents more than the subsidy payment, and the size (amount) and frequency of charges that exceed subsidy payment

How do you get the data you need?

- ◆ Existing or administrative data
- ◆ Survey



Using existing data

- ◆ Licensing
- ◆ QRIS
- ◆ CCR&R
- ◆ Provider associations or networks
- ◆ Bureau of Labor Statistics
- ◆ Other – Workforce studies, economic impact studies, Head Start/Pre-K cost data

Detailed Report: What's required?

- ◆ Results of MRS/AM
- ◆ Estimated cost of care by category for base level
- ◆ Cost for higher quality at each level of quality
- ◆ Response to stakeholders' views/comments
- ◆ Must be posted within 30 days of completion

What else might you want to include?



Detailed Report

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Next Steps

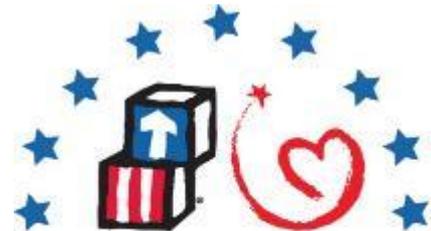
- ◆ Group discussion on your next steps



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Thank You



Early Childhood
National Centers