

## Designing and Conducting Your Market Rate Survey

Whether a state conducts its own market rate survey or hires consultants to do it for them, Lead Agency staff should be involved in the design and the development of the survey. This is the second in a series of briefs addressing market rate surveys for Lead Agencies administering Child Care and Development Fund (CCDF) programs. In this brief we discuss the following: 1) data sources that can be used to conduct or augment the survey, 2) best practices for developing survey instruments, 3) selecting the survey participants, 4) the timing of the survey, and 5) how to engage the child care provider community to ensure adequate survey results.

In the first brief, *Planning Your Market Rate Survey* published on March 7, 2018, we addressed the CCDF regulatory requirements for conducting a market rate survey, important differences between prices and actual costs, steps for engaging stakeholders in the planning process, establishing clear objectives for conducting the survey, and determining the survey method that best supports data collection. In the next brief, we will address analyzing and using the data collected in the survey.

### What is the Child Care Market?

The CCDF regulations require Lead Agencies to ensure that market rate surveys adequately reflect the full population of providers by variations such as geographic location, category of provider, and age of child. To meet this requirement, it is recommended that Lead Agencies examine all relevant providers, or a statistically valid sample of providers for all localities in their jurisdiction.

The child care market includes all providers that offer child care services to the public statewide and within local service areas or submarkets for an established price. Therefore, the market may be defined as the entire population or universe of child care providers that determine the price of child care services<sup>1</sup>. Unregulated and license-exempt providers, particularly providers who are relatives or friends of the child's family, are generally not considered part of the priced child care market and should not be included in a market rate survey.

### How Can Existing Administrative Data Support the Survey?

Most Lead Agencies have access to administrative data about the universe of licensed child care providers in their jurisdictions; for example, child care licensing and subsidy databases and information collected by Child Care Resources and Referral (CCR&R) agencies. In certain cases, this data may provide Lead Agencies with adequate information to conduct their Market Rate Study without surveying providers. For instance, if CCR&R agencies have recently surveyed all providers about their prices, meeting requirements to ensure accurate data, Lead Agencies may be able to use this data to complete their study. In other cases, the data may not be comprehensive enough to be the sole source of information about the prices charged by providers. Nonetheless, existing administrative data can assist in completing a valid survey.

**Licensing Databases:** Licensing databases are generally the most comprehensive source of information for identifying the regulated child care programs operating legally within a state that provide services to the public. Most Lead Agencies use licensing databases to identify providers or a sample of providers to include in the survey. They contain necessary information such as program name, site address, license number, capacity, and director and key program staff contact information. If a Lead Agency decides to use a method of weighting the number of slots to measure influence on

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<sup>1</sup> Weber, R., Grobe, D., Davis, E., Kreader, J., Pratt, C. (May 2007). *Study of Market Prices: Validating Child Care Market Rate Surveys*.

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the market, information about capacity will be needed to determine the factor. Licensing databases contain information on size or enrollment capacity. When using the licensing database to identify providers, make sure that its up to date and includes the universe of providers whom you would be surveying. Ideally, this database can also identify providers who do not provide child care in the priced market.

**CCDF Subsidy Program Databases:** While CCDF program databases may have some useful information, there are limitations to using these data for market rate surveys. The database may only contain information on providers that participate in the subsidy program, and not the full universe of providers across all local markets. Price information reported by providers during the eligibility process may not be impartial or up to date. In addition, because the method for gathering the data may not have been uniform, it might not be considered valid. Therefore, it is better to use other available data.

**Child Care Resource and Referral Data:** CCR&R data can be a good source if it is complete, up-to-date, and captures all information needed to meet the objectives of the market rate survey. Lead Agencies must ensure that the information is collected uniformly using a standardized questionnaire by well-trained staff. Data gaps may exist if providers choose not to disclose price information or if they do not receive referrals through the CCR&R agency. The database may only capture a limited number of pricing units or rates.

## How Should Lead Agencies Design the Survey Questionnaire?

There are advantages for Lead Agencies to design or maintain oversight of developing their own survey questionnaires. First, Lead Agencies have extensive knowledge of the child care market and prior survey data and methods. Second, a well-designed survey questionnaire allows Lead Agencies to customize and collect the information required from a large population of providers quickly and over a short period of time. Each provider or program responds to an identical set of questions. The content, structure, and organization of the questionnaire are important factors in obtaining consistent and accurate survey results. Regardless of who conducts the survey or the survey method used to collect the survey (mail, phone, web, or other), it is imperative for Lead Agencies to actively participate in developing the survey questionnaire due to their understanding of the providers, communities, licensing and subsidy rules.

The following are recommended practices in designing a survey questionnaire:

- **Create separate questionnaires:** Lead Agencies should develop separate survey questionnaires tailored to the different types of child care being surveyed. Child care centers, group homes, family homes, and before- and after-school or summer child care programs have different characteristics and should receive surveys that acknowledge their uniqueness.
- **Include an introduction:** The introduction should include a description of the survey's purpose and an explanation how the information will be used. Lead Agencies should assure providers that their individual responses will remain confidential and only aggregate survey data will be disclosed.

### Factors to Consider

The viability of using administrative data for conducting or augmenting the market rate survey depends on several factors, including, but not limited to:

- a database that contains the full universe of providers operating in all geographic locations of the state
- a database that includes all the information needed to achieve the survey objectives
- information gathered consistently using a standardized form or questionnaire
- data that are current and aligned with the period the Lead Agency hopes to capture
- data that are collected within a short period of time (no longer than three consecutive months)
- data that are reliable and well-maintained
- data that are accessible and in a format that can be used to complete a statistical analysis
- a database that allows the Lead Agency to identify providers that do not have any private pay slots

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- **Request respondent information:** Lead Agencies may want to know the date the survey questionnaire was completed and the name and title of the person who answered the questions. This will verify that survey results fall within the given timeframe of the survey. For child care programs that are part of a larger organization (e.g., family child care network or with multiple facilities, Lead Agencies should obtain the different license numbers and various contact names for the different facilities.
- **Ask providers to list their average enrollment levels:** Capacity questions should indicate whether the Lead Agency is requesting information on a program's maximum licensed capacity, current enrollment levels, or desired enrollment levels. Most child care programs do not operate at the full licensed capacity. Therefore, we recommend asking providers to list their average enrollment levels or the desired enrollment levels for each age group. This information may reflect the actual number of slots that are available in the child care market.
- **Focus on survey content:** Lead Agencies should ensure that they are only asking questions that pertain to their market rate survey needs. Surveys that combine market price questions with questions on staff trainings, wages, and other workforce questions can be lengthy and can reduce response rates. The Lead Agency "must define precisely the information desired and endeavor to write as few questions as possible to obtain it." Peripheral questions and nice-to-know questions should be avoided.<sup>2</sup>
- **Consider asking other pertinent questions:** When conducting the survey, Lead Agencies may want to solicit information about:
  - the extent to which child care providers are participating in the CCDF subsidy program
  - any barriers to participation, including barriers related to payment rates and practices
  - any amounts providers charge to families if the price exceeds the subsidy payment (beyond the family copayment), including data on the size and frequency of such charges

Tracking this information is a requirement for Lead Agencies outlined in the equal access section of the CCDF regulations. Lead Agencies are required to consider some cost information when setting payment rates—even if the Lead Agency is conducting a market rate survey rather than an alternative methodology. Specifically, the Lead Agency's detailed report must include the estimated cost of care (including any relevant variation by geographic location, category of provider, or age of child) to support:

(1) child care providers' implementation of the health, safety, quality, and staffing requirements in the rule (States are required to ensure that base rates cover these costs); and

(2) higher-quality care, as defined by the State using a QRIS or other system of quality indicators, at each level of quality. In the preamble to the final rule, we indicate that States that choose to conduct a market rate survey (rather than an alternative methodology) are still required to comply with this provision, but those States have the option to conduct an analysis that is more narrowly focused rather than a full-scope alternative methodology (e.g., cost estimation model) which requires a broader assessment of cost data.

- **Define terms:** Terms that are not universally understood should be defined. For example, respondents may not understand the difference between price and cost, or what an unsubsidized private pay slot means. Licensing regulations for child care centers, group homes, and family child care homes may define infant, toddler, and preschool age groups differently. Additionally, some subsidy programs consolidate infants and toddlers into one age group or define preschool to include children through age 5. Survey questions that relate to children should specify ages.
- **Use plain writing:** The use of plain language with short sentences might be a helpful strategy in designing the survey questions. The goal is to write survey questions that the target audience knows and feels comfortable with. This approach will produce better and more consistent responses to the survey questions.

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<sup>2</sup> Frary, Robert B. (2002). *A Brief Guide to Questionnaire Development*. Office of Measurement and Research Service, Virginia Polytechnic Institute and State University.

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- **Refrain from open ended questions.** Open ended questions generally result in qualitative responses that are difficult to quantify for entry into a field in a dataset or inconsistent narrative responses. Objective questions that contain a limited set of choices yield more accurate survey results.
- **Develop small scale survey instrument:** Before sending the survey out, test the with your program staff, the State Advisory Council, or other stakeholders. Testing the survey will enable the Lead Agency to evaluate the consistency of the survey responses and procedures. A small scale survey pilot project would also allow the Lead Agency to make changes based on the feedback of the test group. This would help ensure that all questions are clearly understood and produce the Lead Agency's desired survey results.

## How Should Lead Agencies Standardize the Variety of Provider Reported Prices?

Providers' practices for charging parents are not standardized. The most common pricing modes are hourly, part-day, full-day, weekly, and monthly. If providers report using their own pricing modes, it may be necessary to convert prices so they are standardized.

Lead Agencies can increase the accuracy of these conversions by including questions in the survey that ask providers to indicate how *they* define part- and full-time care. Researchers can then evaluate the data and develop conversion factors that better reflect the pricing practices of the provider community. This will provide a more accurate measure of how providers charge parents relative to how a Lead Agency defines part- and full-time care. Lead agencies may also choose to revise their subsidy program rate structure to be more consistent with how providers charge for care. We will discuss conversion factors in the next brief.

Another option Lead Agencies have is to reduce the number of pricing mode conversions needed for the data analysis portion of the survey. For example, if the subsidy program rate for full-day care starts at five or more hours per day, Lead Agencies can include a survey question that asks respondents to indicate how much they charge for a child that attends care for five or more hours per day. The price given will need to be converted to a different pricing mode. This method works best when the Lead Agency does not need to evaluate or revise the subsidy program rate structure. However, if prior surveys did not collect information on part- and full-time rates, it may be a good idea to include these questions in the market rate survey questionnaire to better understand provider business practices.

## How Should Lead Agencies Select the Market Rate Survey Sample?

After designing their surveys, Lead Agencies need to determine if they will survey all providers in each group or select a statistically valid provider sample that is representative of the statewide and local child care markets. To start the process, divide providers into separate populations with each group sharing common characteristics. This is generally done by type of setting—centers, group homes, family homes, and before- and after-school and summer programs. If a sample is used, individual programs are selected from each group through a random procedure. Statisticians refer to this stratification or stratified sampling. The Department of Health and Human Services provides free statistical software (RAT-STATS) that Lead Agencies can use to select random samples (<https://www.oig.hhs.gov/compliance/rat-stats/index.asp>). Lead Agencies can also use other survey instruments to select random samples.

## How Should Lead Agencies Determine the Sample Size?

Determining the right sample size is important. Statistical formulas used to select samples are usually complex. It is generally recommended that Lead Agencies consult with a statistician or researcher to determine the right sample size based on characteristics of the state and local child care markets. For example, the sample for urban areas with large numbers of provider settings may need to be different from rural areas where there are fewer providers in a specific type of setting or for a certain age group. It may be necessary to survey 100 percent of providers if the concentration is too low to produce accurate results.

## How Should Lead Agencies Inform Providers of the Survey?

It is important to reach out to the provider community in advance of conducting the market rate survey. Reaching out to providers can significantly increase response rates. This is usually done by mailing a letter, on Lead Agency letterhead, that informs providers about the survey. The letter should include:

- the reason for conducting the survey
- why it is important for providers to respond and how it can affect them
- when and how the survey will be conducted
- the name of the agency or entity that will conduct the survey
- assurances that not information pertaining to individual providers will be released or made public
- Lead Agency contact information, if providers have any questions
- the signature of the State Administrator or Lead Agency Executive

Most researchers recommend collecting market price data within a three-month time frame . The timing of the survey is also an important factor because information collected over longer periods may not be comparable as prices change over time. Lead Agencies should avoid conducting surveys during the winter holidays and during summer school vacations because providers may be closed during those times. Lead Agencies should also allow enough time for analyzing survey data and disseminate the survey results.

### Top Ten Basic Principles of Creating a Valid Market Rate Survey

1. *Ask the right people* – define the universe of providers that offer unsubsidized care, excluding unregulated care, and draw a valid sample
2. *Get enough good data* – enable a good response with complete data
3. *Collect useful data* – focus on information for rate setting that reports the price for unsubsidized care, and price rather than cost
4. *Avoid pricing mode conversions* – collect consistent data using a rate framework
5. *Know the important characteristics* – collect or match data elements about the providers such as geography and capacity that allow sorting for analysis
6. *Keep it simple* – design a survey instrument that is easy to administer and create a database that is easy to analyze
7. *Ensure consistency* – give good instructions to providers and train interviewers
8. *Test* – test and refine the instrument before distributing it
9. *Get the audience ready* – inform and prepare providers for the survey
10. *Check the results* – use methods to validate the findings (to be discussed in a

## Other Resources

Lead Agencies may be interested in the following resources to help plan for their market rate surveys.

CCDF Final Rule. <https://www.acf.hhs.gov/occ/resource/ccdf-final-regulations>

Program Instruction: Timeline and Requirements for Market Rate Surveys and Alternative Methodologies. <https://www.acf.hhs.gov/occ/resource/ccdf-acf-pi-2016-08>

Attachment to Program Instruction CCDF-ACF-PI-2016-08: CCDBG Act and Final Rule Requirements for Market Rate Surveys and Alternative Methodologies. [https://www.acf.hhs.gov/sites/default/files/occ/ccdf\\_acf\\_pi\\_2016\\_08\\_attachment\\_ccdbg\\_act\\_and\\_final\\_rule\\_requirements\\_for.pdf](https://www.acf.hhs.gov/sites/default/files/occ/ccdf_acf_pi_2016_08_attachment_ccdbg_act_and_final_rule_requirements_for.pdf)

Program Instruction: Guidance on Alternative Methodologies and Cost Analyses for Purposes of Establishing Subsidy Payment Rates. <https://www.acf.hhs.gov/occ/resource/ccdf-acf-pi-2018-01>

Illinois Department of Human Services. *Market Rate Survey of Licensed Child Care Programs in Illinois Fiscal Year 2014*. <http://www.dhs.state.il.us/page.aspx?item=82489>

Ohio State University Statistical Consulting Service, Ohio Department of Job and Family Services. (January 2017). *2016 Ohio Child Care Market Rate Survey Analysis*. <http://jfs.ohio.gov/cdc/docs/2016MarketRateSurvey.stm>

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