Understanding the Potential of the Provider Cost of Quality Calculator

National Webinar
March 10, 2015
Director
National Center on Child Care Quality Improvement
A Service of the Office of Child Care
Overview

Brief History

Capabilities

State Example
Rachel Schumacher
Director, Office of Child Care
Administration for Children and Families
New Purposes for CCDF

Reauthorization provides a two-generational approach focused on the family as a whole, as well as helping parents support their children’s development and learning. New language added by Congress includes:

• Promoting involvement by parents and family members in the development of their children in child care settings;
• Delivering high-quality, coordinated early childhood care and education services to maximize parents’ options;
• Improving the overall quality of child care services and programs;
• Improving child care and development of participating children;
• Increasing the number and percentage of low-income children in high-quality child care settings.
Equal Access and Rates(658E(c)(4)):

- Requires States to conduct a market rate survey, or use an alternative methodology, such as a cost estimation model, and describe how payment rates will be established based on results of the survey or alternative methodology, taking into account cost of providing higher quality services.

Payment Practices(658E(c)(2)(S)):

- States must establish policies that reflect generally accepted payment practices for child care providers, including (to the extent practicable) paying for absence days, and timely reimbursement for child care services.
Supply-building (658E(c)(2)(M)):

- States must develop strategies for increasing supply and quality of services for children in underserved areas, infants and toddlers, children with disabilities, and children in non-traditional hour care—which may include use of grants/contracts and alternative payment.

Business Technical Assistance (658E(c)(2)(V)):

- Requires States to describe how they will develop and implement strategies to strengthen the business practices of child care providers to expand the supply, and improve the quality of, child care services.
Anne Mitchell

Co-founder
Alliance for Early Childhood Finance
Brief History of the PCQC

What It Is, What It Isn’t, and How It Came to Be
PCQC: What It Is

*Estimates* cost of operating early childhood programs

Models QRIS structure

Illustrates cost-revenue gap

Informs provider and state-level policies

Companion to Cost Estimation Model
PCQC: What It Isn’t

Not a budgeting tool

Not a precision instrument

Data output is only as good as the data input
The History

Began as spreadsheet

Piloted with States

Developed Web-based Calculator
Lessons Learned

- Additional financial supports are crucial
- It’s critical that financial supports increase in proportion to quality
- Size and efficiency matter
- The cost of care varies by age group
Nina Johnson

Technical Assistance Specialist
National Center on Child Care Quality Improvement
A Service of the Office of Child Care
Capabilities of the PCQC

Overview and Demonstration
Begin by Asking Questions

What is the annual cost of operating a basic regulated program?

Are very small centers financially sustainable?

How many infants proportionally can a center enroll and remain sustainable?

What is the level of financial supports necessary to allow programs to be profitable?
Factors Influencing Net Revenue

Settings
Ages, Ratios and Group Size

Cost Drivers
Non-Personnel
Personnel
- Compensation
- Additional Staff Time

Revenue Drivers
Tuition
Subsidy
CACFP
Efficient Enrollment
Uncollected Revenue

Net Revenue
Demonstration
State-Level Policies Impacting Net Revenue

- Licensing and QRIS Policies
- Subsidy Policies
- Availability of additional funding sources
- Availability of Shared Service Alliances
Provider-Level Policies Impacting Net Revenue

- Tuition and copayment collection policies
- Age groups and number of classrooms
- CACFP and other revenue sources
- Participation in QRIS
State Examples

Washington

- Determined whether their base subsidy rates were adequate.

Rhode Island

- Created two-part award structure based on analysis of the cost to care for infants.
State Example

Oregon’s Use of the PCQC
Dawn Woods

Quality Improvement Director
Early Learning Division, Oregon
Oregon’s Story

Questions
• Are some quality standards too costly to implement?
• What is the funding needed to support high quality based on the program standards?
• What supports will programs need?

Process
Oregon’s Story

Results and Lessons

• Some standards cost more to implement
  • Ratio/Group Size
  • Professional Development costs and support
• Importance of CACFP as a revenue source
Continued Use

• We used the tool to help with our Preschool Development Grant to determine cost of a mixed delivery model.
• As the RTT evaluations end, we will use the cost modeling tool as another data point for potential changes.
https://childcareta.acf.hhs.gov/quality-improvement
Questions?

OCCQualityCenter@icfi.com


Resources


Thank You

Phone: 877-296-2250
Email: OCCQualityCenter@icfi.com

Office of Child Care

National Center on Child Care Quality Improvement

NCCQCI does not endorse any non-Federal organization, publication, or resource.