



ADMINISTRATION FOR  
**CHILDREN & FAMILIES**



# Understanding the Potential of the Provider Cost of Quality Calculator



National Webinar

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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.

# Reauthorization and Uses of PCQC

## 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.

# Reauthorization and Uses of PCQC (cont'd)

## 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

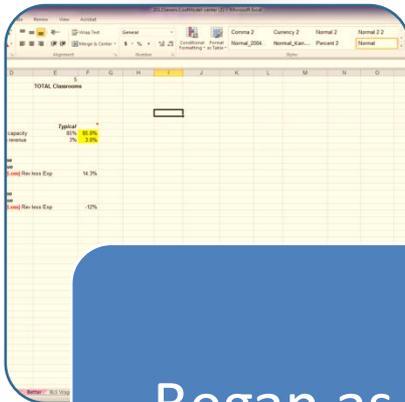
Not a budgeting tool

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  
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# Capabilities of the PCQC

## Overview and Demonstration



# Begin by Asking Questions

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

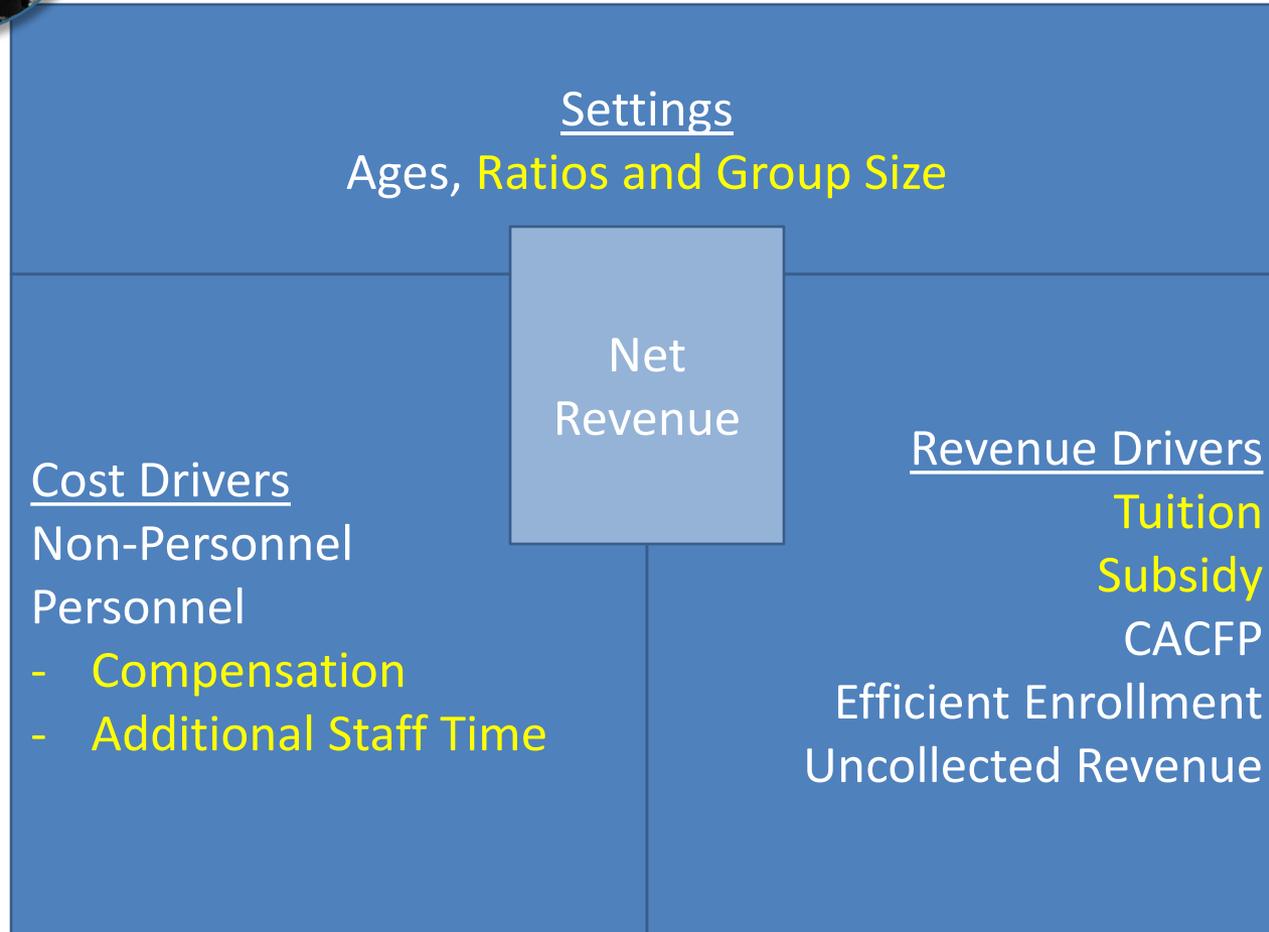
Are very small centers financially sustainable?

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





# 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.

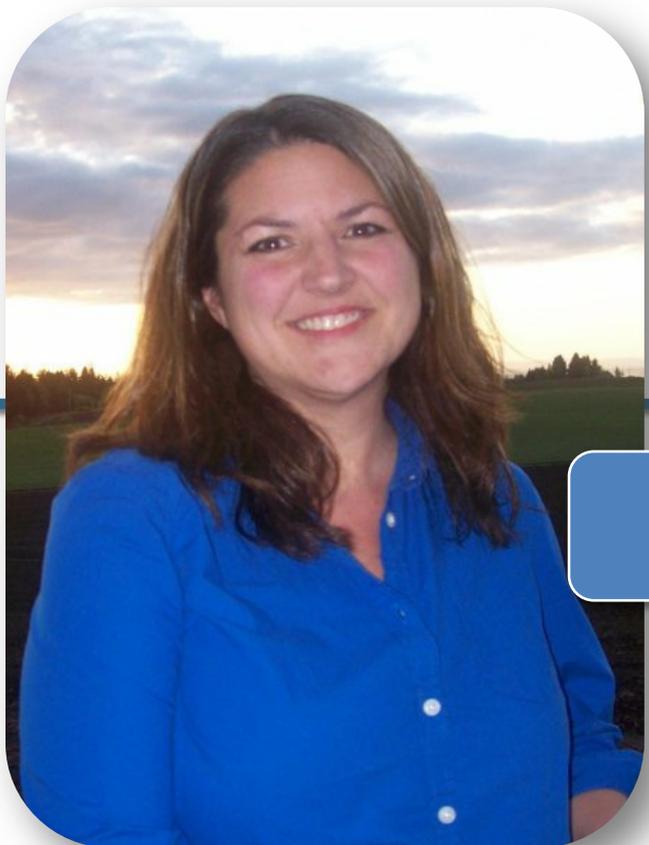
## Rhode Island

- 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

# Oregon's Story

## 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.



# Office of Child Care

## Technical Assistance Network

<https://childcareta.acf.hhs.gov/quality-improvement>



# Questions?



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# Resources

- Barrett, L., Klunk, T., Mitchell, A., and Workman, S. (2014). *Policy Changes Using the Results of Calculating the Cost of Quality from the Provider Perspective* [PowerPoint presentation]. Retrieved from the QRIS National Learning Network website:  
<http://grisnetwork.org/sites/all/files/session/presentations/Policy%20Changes%20Using%20the%20Results%20of%20Calculating%20the%20Cost%20of%20Quality%20from%20the%20Provider%20Perspective%20PPT%20as%20PDF.pdf>
- Mitchell, A.W. (2013). *The Cost of Early Learning in Rhode Island: Interim Report*. Rhode Island Early Learning Council. Retrieved March 20, 2014, from the QRIS National Learning Network Web site: [http://grisnetwork.org/sites/all/files/resources\\_state/mrobinson@buildinitiative.org/2014-02-14%2013:47/The%20Cost%20of%20Quality%20Early%20Learning%20in%20Rhode%20Island%20December%202013%20-%20Revised%20February%202014\).pdf](http://grisnetwork.org/sites/all/files/resources_state/mrobinson@buildinitiative.org/2014-02-14%2013:47/The%20Cost%20of%20Quality%20Early%20Learning%20in%20Rhode%20Island%20December%202013%20-%20Revised%20February%202014).pdf)
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[http://grisnetwork.org/sites/all/files/resources\\_state/mrobinson@buildinitiative.org/2014-03-19%2019:40/Modeling%20the%20Cost%20of%20Quality%20in%20Early%20Achievers%20Centers%20and%20Family%20Child%20Care.pdf](http://grisnetwork.org/sites/all/files/resources_state/mrobinson@buildinitiative.org/2014-03-19%2019:40/Modeling%20the%20Cost%20of%20Quality%20in%20Early%20Achievers%20Centers%20and%20Family%20Child%20Care.pdf)

# Resources

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<https://www.ecequalitycalculator.com/Assets/PCQC%20User%20Guide.pdf>
- National Center on Child Care Quality Improvement (NCCCQI). (2014). *Increasing Quality in Early Care and Education Programs: Effects on Expenses and Revenues*. Washington, DC: Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services.  
<https://childcareta.acf.hhs.gov/resource/increasing-quality-early-care-and-education-programs-effects-expenses-and-revenues>
- NCCCQI. (2014). *Early Care and Education Program Characteristics: Effects on Expenses and Revenues*. Washington, DC: Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services. <https://childcareta.acf.hhs.gov/resource/early-care-and-education-program-characteristics-effects-expenses-and-revenues>



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# Thank You

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