Home-based child care (HBCC) providers support children’s development and help parents work. In 2012, the most recent year for which national data are available, slightly more than 1 million paid HBCC providers cared for more than 3 million children from birth to age 5, estimates that are even larger if school-age children are counted. Despite their important role, many of these providers and the children they serve do not participate in or benefit from public child care investments. Key among these public investments is the Child Care and Development Fund (CCDF), which helps families with lower incomes pay for child care by providing subsidies that are used to pay child care providers. But even though HBCC providers care for many children in families with low incomes, many of these providers do not benefit from CCDF subsidies, which reduces the financial supports available to HBCC providers and constrains the ability of many families who rely on HBCC providers to access financial assistance for child care. These issues have become even more important during the COVID-19 pandemic, as families have increasingly turned to HBCC options.\(^1\) With the recent allocation of significant new funding for child care through the pandemic relief funding packages, states have an opportunity to take steps to support participation in CCDF of this important child care sector, and to better support a broader range of children, parents, and providers.

This brief provides an overview of opportunities, challenges, and steps to expand HBCC provider participation in CCDF subsidies. Based on expert interviews\(^2\) and a review of the literature, we first
provide background on HBCC providers and CCDF to set the context and then summarize findings about the barriers these providers face to participating in CCDF. We conclude with a discussion of recommendations, possible impacts of improving participation, and areas where we need more information. Box 1 provides a brief summary of the major findings. We also have a companion brief on participation barriers for HBCC in the Child and Adult Care Food Program, titled “The Child and Adult Care Food Program and Home-Based Child Care Providers: Expanding Participation.”

BOX 1
Key Takeaways: Factors Shaping Participation and Suggested Policy Actions

Factors Shaping Participation

Our review finds that HBCC participation in CCDF subsidies is the cumulative result of several factors, including

- the ease or difficulty of the provider approval process, including the steps needed for approval, meeting health and safety requirements, and the timeliness of being approved;
- payment amounts and processes, including how much the state will pay HBCC providers, the payment approaches they use, and the logistics and processes involved with getting paid; and
- the extent to which states have implemented family-friendly policies such as annual redetermination.

These factors were shaped by two issues: first, the extent to which states see HBCC as providing high-quality care to children or instead measure it by quality standards designed for child care centers and perceive it as being of less good quality; and second, whether states have the resources to implement the health and safety requirements required by the 2014 reauthorization for license-exempt HBCC. The latter barrier may be less of an issue in the short term, given the new federal funds allocated to CCDF under the various COVID-19 relief packages, though it may continue to be an issue in the future, depending on future federal investment levels.

Suggested Policy Actions

Both state and federal governments can support HBCC participation in the subsidy system. States have significant discretion under the block grant approach and could make progress in several of the areas described below, particularly now that they have additional federal funds under the COVID-19 relief packages. The federal government also has a strong role in providing guidance and leadership and resources for these issues in the short term and more directly changing policy parameters to support HBCC participation if new child care legislation is passed.

Key action steps include the following:

- State and federal actions in response to the new federal pandemic-related child care funds should be assessed to ensure that they are appropriate, accessible, and relevant for different kinds of HBCC providers; should support providers’ involvement with the CCDF program and other related efforts; and should be made available in ways that address inequities in providers’ access to public resources.
- Each state, and the federal Office of Child Care, could engage in a systemwide review of subsidy policies and practices to assess barriers and supports for HBCC participation and take steps to support greater participation. Many elements of such a review are described below and elsewhere in this brief.
States could simplify application and approval processes for HBCC providers and ensure they are accessible to a range of providers. Federal guidance could encourage such actions.

States could address hurdles created by health and safety standards while prioritizing the health and safety of children, and the federal government could issue guidance to support these steps:

- Review and revise health and safety standards for HBCC providers—both those required for licensing as well as separate CCDF health and safety requirements for license-exempt HBCC providers—to ensure they are relevant for different kinds of HBCC providers and build upon their strengths.
- Consider reworking licensing and CCDF health and safety strategies to build on coaching models appropriate for a range of provider types rather than relying as heavily on punitive enforcement strategies.
- Establish accessible and relevant supports to help HBCC providers meet these standards.

States can use CCDF funds to support navigators or facilitators who can help HBCC providers navigate approval processes and provide supports to help them meet health and safety standards.

The federal government and states could identify and establish principles and approaches for states to use to establish payment rates for non-market-based settings, such as legally unlicensed HBCC.

States could examine their HBCC subsidy payment policies and strategies to ensure they are appropriate for these settings and are equitable to those used for child care centers. The federal government could provide guidance and leadership to support state actions.

States could ensure payment practices are accurate and timely and that subsidy agencies establish accessible and responsive processes to address payment problems faced by HBCC providers. The federal government could strengthen its leadership and requirements in this area.

Understanding the Context

Understanding HBCC

In 2012, the most recent year for which national data from the National Survey of Early Care and Education are available, slightly more than 1 million paid HBCC providers cared for more than 3 million children from birth to age 5; these figures are underestimates, as they do not include school-age children (OPRE 2016). This includes 118,000 providers who are listed with a public agency and are assumed to be licensed (which we will refer to as “licensed HBCC”) and another 919,000 paid HBCC providers who are not listed with any agency including licensing (or “unlicensed HBCC”) (OPRE 2016).³ (See box 2 for the terminology we use to talk about different parts of the HBCC sector.) Forthcoming data from the 2019 National Survey of Early Care and Education will provide more current estimates.
HBCC providers play a critical role in caring for America’s children and are particularly likely to care for infants and toddlers, children in rural areas, and children whose families work nontraditional hours. Despite their important role, these providers are less likely than child care centers to participate in and benefit from public child care investments (OPRE 2014, 2016).

Understanding CCDF

The Child Care and Development Fund is a federal block grant program administered through the US Department of Health and Human Services. It funds states to help families with low incomes pay for child care with subsidies, and it supports capacity building for states and professional development opportunities for providers. Although the federal government provides parameters, states have flexibility in setting eligibility policies for families and providers participating in the program and in establishing how much they will pay for care. Providers who care for children receiving subsidies through CCDF must meet requirements outlined by the federal government and specified by each state.

In fiscal year 2020, CCDF was funded at $8.7 billion, with the majority of the funds paying for vouchers that families can use to pay for child care. But Congress has authorized significant additional funds for states to spend through CCDF and other funds to stabilize and support child care as part of the various COVID-19 pandemic relief packages.

Understanding HBCC Participation in CCDF

There are several ways to examine HBCC participation in CCDF. One approach is to examine the proportion of all child care providers receiving payments from the subsidy system who are HBCC providers. Using this approach, here are statistics about the 1.3 million children receiving subsidies in the average month as of 2018, the most recent year for which data are available:

- Twenty-two percent were cared for in some form of HBCC, though this ranged widely across states, with 7 states serving less than 5 percent of the children in an average month in any home-based setting and 13 states serving 35 percent or more. This share has declined in recent years, falling from 34 percent in 2010 nationwide to 22 percent in 2018. (The total number of family child care providers also declined during this period.)
- Most children in the subsidy system who were in HBCC were in regulated or licensed care. Sixteen percent of all children in the subsidy system were cared for in licensed or regulated HBCC, and 6 percent were in settings that were legally exempt from licensing, mostly cared for either in the child’s home or in a relative’s home (4 percent).
- These shares also varied across states, with 25 states having effectively no children served in HBCC that was not regulated or licensed. In Hawaii, 71 percent of children were in unlicensed care, most of whom were cared for by relatives.

Another way to look at current participation is to explore how many HBCC providers overall report receiving any public funds. The data are from 2012 and therefore may be overestimated given the
previously described decline in children served in HBCC in the subsidy system, but the National Survey of Early Care and Education reports that 6 to 7 percent of children in paid HBCC settings in 2012 were paid for with public funds. The survey analysts suggest these were likely to be predominantly from the child care subsidy program (Datta and Borton 2020).

These data clarify that there are significant opportunities for increased participation of the HBCC sector in CCDF subsidies. In addition, the significant additional investment in CCDF through COVID-19 relief packages, along with the potential shift in demand toward home-based child care settings because of the pandemic, suggest that states may be able to expand HBCC participation in the subsidy system to ensure the subsidy system is responsive to the needs of more parents. The new federal investments in the subsidy system give states an opportunity to stabilize the child care system at the state level, including HBCC, and to address overarching challenges and issues to create a more equitable child care subsidy system.

BOX 2
Understanding the Terminology

The HBCC field has many terms, often poorly defined, to refer to HBCC caregivers, including “informal care,” “family friend and neighbor care,” “family child care,” “license-exempt care,” and “relative care.” For our analysis, we use

- licensed family child care and
- home-based child care settings legally exempt from state or local licensing, which can include
  - nonrelative home-based child care and
  - relative home-based child care.

When possible, we differentiate between licensed and unlicensed care and relative and nonrelative care because they are the most common criteria operational in many states, as they determine which providers can access child care subsidies. But we recognize the heterogeneity within these categories and that even these categories are not consistently used—for example, some states distinguish between care in the child’s home and care in someone else’s home. Also, sometimes we are limited by the definitions used by our data sources, which may differ from our terminology. When possible, we clarify differences when this occurs.


Factors Shaping HBCC Participation in CCDF

Our assessment suggests that whether an HBCC provider participates in the child care subsidy system is the cumulative result of several issues, each of which presents a potential barrier for home-based providers. These issues shape providers’ experiences with the subsidy system and affect their
willingness and interest in participating, both by directly affecting providers who try to engage with the subsidy system and by affecting the “word on the street” about the process’s ease or difficulty and whether it is worth trying to participate. Relatively little research has been conducted on the experiences of HBCC providers—licensed and legally exempt—with the subsidy system, though our research team conducted two studies on these providers in 2005–08. All these issues, therefore, would be worth examining further, given their complexity and the changes in CCDF since that time.12

These challenges fall into two main categories: what it takes to become approved to receive subsidies and, once approved, the administrative challenges and payment levels and processes the providers face.

Approval Process
Our review suggests there are three elements of the approval process that can affect whether an HBCC provider is approved to be paid to care for a child in the subsidy system: the application process, the health and safety requirements providers must meet, and the timeliness of the approval process.

THE APPLICATION PROCESS
Although there is no single information source about the application process that HBCC providers must go through to become approved for subsidies across states, some experts suggest that the paperwork in some states can be cumbersome. One respondent reported an application form that was more than 10 pages long. It is also important to examine the ease and difficulty of the questions asked, the documentation required, literacy levels, whether these applications are available in other languages, whether providers must go in person or can do this online, and whether anyone can help HBCC providers with paperwork. These issues are important overall but particularly so for HBCC providers, given they are more likely to have lower levels of education than providers in center-based care and are more likely to have been born outside the US and speak languages other than English (Paschall, Madill, and Halle 2020; SCBC 2017).13 In addition, our respondents said that some states charge fees for different elements of the process, which can also be a deterrent.

HEALTH AND SAFETY REQUIREMENTS
Under CCDF rules, states are required to ensure that providers receiving subsidy payments either are licensed or—if they are not required to be licensed under state law—must meet certain health and safety protections (though states can exempt certain relatives from these requirements). The health and safety policy for legally unlicensed HBCC implemented under the 2014 CCDF reauthorization includes many requirements, such as preservice training and in-person inspections. Given the significant variation in size and characteristics of the legally license-exempt HBCC sector across states, with some exempting family child care homes serving several unrelated children and some exempting only relatives (ECQA, n.d.), these latter requirements can sometimes affect a wide swath of the HBCC sector.

States vary widely in what they require of HBCC providers who are legally exempt from licensing under state rules.14
Nine states require all providers, except for relatives, to be licensed to participate in the subsidy system. North Carolina does not allow relative care (Kane et al. 2020).

Other states have established alternative health and safety requirements that HBCC providers who are legally exempt from licensing must meet to be approved to receive CCDF subsidies. Although the basic requirements are established in the federal reauthorization language, states vary in how they have interpreted and implemented these requirements.

Experts suggested that requiring HBCC providers either to be licensed or to meet CCDF health and safety standards is the first hurdle providers must overcome once they are engaged with the subsidy system. They also noted that even though supporting children’s health and safety is important and should be maintained, both regulatory systems have characteristics that create particular challenges for HBCC providers. In fact, some experts we spoke with were concerned that implementing the higher requirements in 2014, and state difficulties finding resources to meet and enforce these new requirements, may be partly responsible for decline of HBCC in the subsidy system, though the experts clarified that little formal proof exists.

They suggested the following challenges with health and safety requirements:

- Licensing and CCDF health and safety standards may not reflect the realities, strengths, and cultural practices of different communities of HBCC and instead rely on center-based definitions of quality and safety, creating inequitable barriers to resources.

- CCDF requires background checks for all providers (except relatives) and for members of their households, with few exceptions (Cunningham and Ravishankar 2021). This presents challenges for providers living in families with mixed immigrant status or if someone in the household has a criminal record and can deter them from even starting the enrollment process. These problems disproportionately affect communities already facing systemic racism in policing, judicial systems, and immigration laws and practices. Also, little evidence shows that states have made background checks easier for providers (Cunningham and Ravishankar 2021).

- These standards do not reflect the HBCC sector’s heterogeneity and may not be appropriate for HBCC providers such as relatives and people who care for children because of personal connections rather than professional goals.

- Agency communication about requirements and misalignment between requirements for different systems (e.g., CCDF requirements, requirements for Quality Rating and Improvement Systems, and other regulations) can create additional barriers for HBCC providers.

- HBCC caregivers can face extra challenges meeting requirements because of inadequate resources to improve their home or to access the materials, training, or money for criminal background checks.

- Supports provided to help them meet standards may not be appropriate; for example, trainings may be offered only in English or require high literacy levels, require the provider to have
internet access, be costly, or be designed using quality metrics and approaches that are more appropriate for center-based care.

**TIMELINESS OF APPROVAL PROCESS**

Little information is available about how long the approval process takes for HBCC providers overall. But our research from 2008 suggests that, at that time, legally exempt HBCC providers could face longer approval processes, given the necessity of having to meet additional health and safety standards (Snyder, Bernstein, and Adams 2008). These requirements have become more labor intensive (for both the provider and the state) under the 2014 reauthorization; it would be useful to explore whether this remains an issue and whether this problem has worsened.

**Payment Rates and Policies**

The amount that an HBCC provider is paid, and how well the payment process works, also affects participation. Payment motivates providers to participate and provides important resources to allow them to care for children and meet their needs. Experts noted three aspects of payment rates and policies that can shape providers’ experiences and level of financial support from the subsidy system.

**PAYMENT LEVELS**

Two areas of policy and practice shape how much HBCC providers are paid: the state-established payment rate and the policies that shape whether the provider gets that full rate.

For context, states are required to periodically assess the rates providers charge in their state. States are supposed to rely on these market rate surveys when establishing the maximum rates they will pay. (The state usually pays providers the rate the provider charges private paying parents as long as it falls below the maximum state-established rate.) The law encourages states to set their maximum rate levels high enough to cover 75 percent of the providers in the community (the 75th percentile), but almost all states set their rates below that level, and many states set it significantly lower (Schulman 2019). As a result, many states set their maximum payment rates at levels below the prices many providers charge, a fundamental challenge that affects which providers are willing to serve children receiving subsidies.

**Payment rates.** The first issue that shapes what HBCC providers are paid concerns where states establish their payment rates for HBCC providers, which varies depending on whether the provider is licensed. Little information is available on this issue, but our expert advisers suggested that payment rates and the process for determining them are the most straightforward for centers (relying on the market rate survey strategy), are somewhat less clear for licensed family child care providers (given they may have less formal mechanisms for establishing rates, which can make it complicated to report their charges accurately to the market rate survey), and are least clear for providers who are legally exempt from licensing (who may not have a formal price structure or see themselves as operating a business). It is particularly challenging for license-exempt HBCC providers who care for children because of personal relationships, as these providers are unlikely to have a market-based approach to charging parents. Also, enormous variation exists in the way states categorize different settings for
setting payment rates. Regardless, experts suggested that across the HBCC sector, state payment rates and policies for HBCC providers appear to vary widely, and there is an important question as to whether the rates reflect what it costs to provide care, particularly for license-exempt HBCC providers.

Although there is no good data source on this issue, our interviews provided the following insights into how states set their subsidy payment rates for HBCC providers:

- **Licensed family child care.** Experts believed that states generally set their rates for licensed family child care using the market rate approach described above, which is what they use to establish rates for child care centers. There are exceptions, however. Some states set rates using collective bargaining agreements, and one expert described a state that collected market rate data for family child care but then simply chose to pay family child care as a share of center-based care rates. Data from the CCDF Policies Database suggest that most states set their maximum rates for family child care at levels much lower than those for centers (Dwyer et al. 2020).

- **License-exempt home-based providers.** Overall, we know little about how states set rates for license-exempt providers, so our understanding is limited. States cannot rely on market rate surveys for this sector because there is no formal “market” of providers, and collecting information on rates would likely result in the state simply collecting information on what they pay. As a result, states set these rates for licensed-exempt HBCC more arbitrarily, sometimes as a share of the rates they pay licensed providers.

The limited research on this issue and our conversations with experts suggest that states have various motivations and reasons behind where they set these rates and, in some cases, may simply be continuing a payment approach from earlier years without knowing the rationale (Snyder, Bernstein, and Adams 2008). The motivations that are clearer can include setting rates lower for this form of care to create an incentive to become licensed (even though a significant share of license-exempt HBCC providers care for children because of relationships they have with the child and may not see themselves as professional caregivers or be interested in licensing), to stretch scarce state funds further, and to address concerns about possible fraud.

These findings suggest that a focus on rate setting for this sector—including considering how well using a “market-based” approach may be inappropriate for some HBCC providers and what alternatives should be explored—would be useful. Some experts we spoke with have been thinking about and working on these questions.

**Payment policies.** The second set of policies and practices that affect how much providers are paid have to do with three other issues: whether states pay for absent days and how many, whether the provider collects the parent copayment, and whether the payments are accurate and timely and how easy it is to resolve payment errors. Our 2008 research (before the 2014 reauthorization) found these issues were important for all HBCC providers, with some additional challenges for those who were exempt from licensing, as some states had different absent-day payment policies for these caregivers and these providers were sometimes more likely to report not collecting the parent copayment because
of the challenges of doing so or because they were family (Snyder, Bernstein, and Adams 2008). These issues further reduced the amount of money HBCC providers received from the subsidy system. Under the 2014 reauthorization, states were required to address the issue of paying for absent days, but other provider-friendly policies were only encouraged. It is not clear whether these practices have changed in states since the 2014 law passed.

**PAYMENT APPROACHES**

Another issue that affects HBCC providers is how they are paid, with the two most common approaches being vouchers and contracts. There is relatively little information about the experiences of HBCC providers with these two financing approaches or whether they create challenges for participation. Our assessment raised two issues to consider:

- Most subsidies are paid through vouchers or certificates, where parents can choose a provider, and the state usually pays the provider directly if the state approves them for payment and the provider accepts the payment. Many experts criticize vouchers as an unstable funding mechanism for the provider because the provider can lose the payment from one day to the next if the child leaves care. Establishing a contract with a provider—which is an agreement where the state agency promises to pay subsidies for a certain number of children for a certain period—can provide a more stable funding approach. But contracts can be challenging in other ways. In addition, it is not clear whether contract financing approaches make sense for some HBCC providers who may experience more turnover or may be interested in caring only for a particular child and not in staying in the system if that child loses their subsidy. Contracts can also be challenging if parents need to change providers, depending on how the state sets up their contracts. (See our forthcoming publications on contract financing strategies to support the child care and the early childhood workforce, scheduled for release later in 2021.)

- Experts noted that some states rely on contracts with family child care networks to manage subsidy contracts with HBCC, though this predominantly appears to be with licensed family child care networks and not for legally exempt home-based care settings. Further exploration of ways to use these mechanisms to meet the needs of different HBCC providers, including those who are legally exempt from licensing, would be helpful.

- Most states use vouchers to pay providers directly for care if the provider is approved, but there are exceptions. Specifically, data from the CCDF Policies Database suggest that two states always paid the parent, who was then responsible for paying the provider, and seven states would pay the parents and have them pay the provider when the care was in the child’s home (Dwyer et al. 2020). Our research in 2008, however, suggested that paying the parent directly could make it more difficult for the provider to be paid (Snyder, Bernstein, and Adams 2008). Further examination of this policy would be useful, as it is not clear whether this policy prevents providers from receiving the full payment.
PAYMENT PROCESSES AND LOGISTICS

No recent information exists on how much the payment processes cause problems for providers overall and particularly about how they work for HBCC providers overall or for those who are legally exempt from licensing. But Urban Institute research from the early 2000s that was used as the basis for the provider-friendly policies in the 2014 CCDF reauthorization found that several issues, including payment timeliness and accuracy and how easy or difficult it was to deal with the agency to resolve disputes, created significant challenges for both licensed and legally license-exempt HBCC providers (Adams and Snyder 2003; Adams, Rohacek, and Snyder 2008; Snyder, Bernstein, and Adams 2008). These challenges could cause providers to be paid less than they were due or could create hassles for the providers that made them less interested in participating. These issues seem likely to be even more problematic for HBCC providers who may not be as accustomed to dealing with bureaucracies and may face literacy and language challenges. And although these issues were addressed in the 2014 reauthorization, most of them were not mandated and are up to state discretion, so it is not clear whether they have been fixed.

Family-Friendly Policies

The 2014 CCDF reauthorization also established several family-friendly policies, including 12-month eligibility and a mandatory phase-out period for families losing subsidies. Little research is available on the impact of these policies, but they were designed to make it easier for families to retain their subsidies and support continuity of care, which would also benefit providers. Despite the lack of research, there is little reason to think these policies would have a differential effect on HBCC versus center-based providers.

But experts suggested areas where additional efforts could produce better supports for HBCC. In particular, our expert advisers and the literature both suggested that Child Care Resource and Referral agencies (CCR&Rs) can reach families directly to support their search for child care and let them know about their choices, including HBCC. CCR&Rs may help parents navigate the subsidy system and find child care that suits their family needs, including care during nontraditional hours, which is often provided only by HBCC. But the extent to which CCR&Rs support families in efforts to find HBCC (in particular, license-exempt HBCC), and how to most effectively support their efforts to do so, are not clearly understood and are worth further attention.

Overarching Challenges

In addition to the policy-specific issues identified above, our assessment identified two overarching issues that can create significant barriers for implementing the 2014 requirements.

First, states have struggled to find the resources to implement and enforce the health and safety standards with small providers who may require more resources to identify and support and who, therefore, are less cost-effective for state investments. Although the new funds available under the COVID-19 relief legislation could be used for this purpose, states will need to identify ongoing financing
mechanisms to ensure their efforts are sustainable over time. This challenge suggests that it will be important to identify mechanisms to make expanding efforts for HBCC providers more cost-effective, through strategies such as family child care networks and shared services and investing in intermediary support systems.

Second, there is a widespread misconception in the child care policy field, and among policymakers, about the quality of HBCC, and particularly license-exempt HBCC. In particular, many do not believe that these settings can be of equally good quality as center-based care, which is not surprising, given that many of the quality evaluation metrics are based on center-based research. As a result, states and policymakers may have little incentive to implement policies to support HBCC participation or invest scarce resources in these settings. Changing this mindset is likely to require focused messaging and narrative change strategies, more efforts to establish a broader definition of quality, more research documenting the strengths of HBCC, and—very importantly—a focused strategy to address the concerns that many states have about assuring quality and accountability.

Policy Action Steps, Possible Impacts, and Areas for Further Investigation

Our assessment suggests there are numerous policy actions that states and advocates could undertake to expand HBCC participation in CCDF. Although it is challenging to quantify the possible impacts of these efforts, given the uncertainties and lack of data, we also provide some ideas about the possible impacts of expanding participation. We conclude with a brief description of areas where further research, information collection, or collaborative processes would be useful to inform these actions.

Suggested Policy Actions

This assessment suggests that efforts to support higher levels of HBCC participation in the subsidy system require a multifaceted approach to address both barriers to entry and making participation worthwhile through payment policies and access to resources. Just addressing one of these without the other will be less effective. The policy suggestions that emerge from this scan are laid out below.

Note, however, that all of the issues laid out below presume two underlying conditions that need to be in effect. First, states need to have the resources to expand the share of HBCC providers in the subsidy system, including funding needed to establish, monitor, and enforce the health and safety standards required by the 2014 reauthorization. This constraint may be alleviated by the federal funds that states have received through the COVID-19 relief packages. Second, states need to have the motivation to do so. The latter issue is shaped by the two overarching challenges described in the previous section.

Both state and federal governments can support HBCC participation in the subsidy system. States have significant discretion under the block grant approach and could make progress in several areas described below, particularly now that they have additional federal funds under the COVID-19 relief
packages. The federal government also has a strong role in providing guidance and leadership and resources for these issues in the short term and more directly changing policies to support HBCC participation if new child care legislation is passed.

Suggested policy actions to support HBCC participation in the subsidy system, as gleaned from our interviews, include the following:

- Federal and state actions around how to spend the new federal funds available from the COVID-19 relief legislation should be assessed to ensure that they are appropriate, accessible, and relevant for different kinds of HBCC providers and support their involvement with the program. The insights of licensed and license-exempt HBCC providers should be included in this assessment.

- Each state, and the federal Office of Child Care, could engage in a systemwide review of subsidy policies and practices to assess barriers and supports for HBCC participation. Many elements of such a review are described in this brief. HBCC providers, including those legally exempt from licensing, should be included in informing any such review. The results of the review could be used to develop and implement a systemwide reform to support participation.

- States could simplify application and approval processes for HBCC providers and ensure they are accessible in terms of literacy, language, and administrative burden and that they recognize the heterogeneity of HBCC providers. Federal guidance should encourage such actions.

- States could address hurdles created by health and safety standards while prioritizing children’s health and safety, and the federal government could issue guidance to support these steps:
  - Review and revise health and safety standards for HBCC providers—both licensing and separate CCDF health and safety requirements for license-exempt HBCC providers—and the processes to communicate, support, and enforce these standards to ensure they are essential, relevant, and appropriate for different types of HBCC providers rather than being based on a center-centric model. HBCC providers of all types should be involved and consulted as part of this process.
  - Consider reworking licensing strategies to build on coaching models rather than relying as heavily on punitive enforcement strategies, and design them to be appropriate for the motivations and characteristics of different kinds of HBCC providers; consider linking these efforts to family child care networks or training efforts.
  - Establish supports to help providers meet these standards, including training, start-up costs, grants, and other resources, and make sure the supports are appropriate, accessible, and relevant for different kinds of HBCC providers and are distributed to address inequities in access to public resources.

- States can use CCDF funds to support navigators or facilitators who can help HBCC providers navigate approval processes and provide supports to help them meet health and safety

- States can use CCDF funds to support navigators or facilitators who can help HBCC providers navigate approval processes and provide supports to help them meet health and safety
standards, whether through the subsidy agency or through other organizations, including CCR&Rs, family child care networks, and shared service hubs.

- The federal government and states could **identify and establish principles and approaches for states to use to establish rates for non-market-based settings**, such as legally unlicensed HBCC. Rates could be established at levels that recognize the costs of providing high-quality care to children and meeting the needs of the provider, rather than other policy goals such as providing incentives for licensing or stretching scarce state funds further.

- States could **examine their HBCC subsidy payment policies and strategies to**
  - assess their appropriateness for HBCC providers;
  - ensure policies and practices treat HBCC equitably, recognizing the unique challenges they face and the important role they play in supporting children and families; and
  - result in providers being paid adequately and equitably.

  The federal government could support, inform, and provide incentives for these activities.

- States could **ensure payment practices are accurate and timely** and that subsidy agencies establish processes to address HBCC providers’ problems that are accessible, helpful, and relevant to both licensed and license-exempt HBCC providers. The federal government should provide stronger guidance and incentives for states to improve their payment practices and provider support mechanisms.

### Potential Impacts of Expanding Participation

Expanding HBCC participation in CCDF could bring significant new resources into the HBCC sector, expand public policy supports for this critical component of child care, and provide more equitable access to subsidies for parents who use this form of care.

Expanding HBCC participation might have many positive impacts on HBCC providers and children and families. But given the lack of data to inform many aspects of this, it is difficult to quantify this impact. Below, we highlight possible impacts.

- The share of children receiving subsidies who were in HBCC declined from 34 percent in 2010 to 22 percent in 2018. The largest percentage-point decrease in HBCC occurred for family child care providers, who accounted for 24 percent of care in 2010 and 14 percent of care in 2018. Relatives saw a similarly large decrease, dropping from 10 percent to 3 percent. Improving HBCC-friendly policies and supporting participation of license-exempt HBCC providers could help reverse or halt this trend.

- Half as many providers overall received CCDF funds in 2018 than in 2010, in part because of the previously mentioned move toward child care centers that serve more children per program than do HBCC providers. But, leaving that issue aside, if every state had the same number of HBCC providers participating in the subsidy system in 2018 as they did in 2010, an
additional 300,000 HBCC providers annually would be participating today. This number includes 103,000 children in relative care in the average month.

- There are, of course, several outcomes that could be associated with expanding HBCC participation in the subsidy system and making some of the other improvements described in this brief. Although challenging to quantify, these outcomes likely include the following:
  - Increased income for HBCC providers, either from participating in the subsidy system for the first time or from improvements in the payment rates that states provide to those who are serving children receiving subsidies.
  - Improved outcomes for HBCC providers associated with having more income and economic stability, including reduced stress, reduced material hardship, and greater well-being.
  - Reduced turnover among HBCC providers and greater stability in the child care and early childhood workforce.
  - Improved access to subsidies for families for whom HBCC is the only or best child care option, including children whose parents work nontraditional schedules, infants and toddlers, children in rural areas, and children with special needs (Henly and Adams 2018). Improved access could support family income, reduce child poverty, and support maternal labor force participation (Giannarelli et al. 2019).

Although not assured, such participation, if coupled with states also taking steps to support access to quality supports and Child and Adult Care Food Program, could also help providers access other financial, social, and professional development resources.

Areas for Future Work

Our review also revealed gaps in our basic knowledge about current policies toward HBCC providers in the subsidy system and gaps in the compilation of effective strategies or ways to revise current approaches. Below are some ideas to address these gaps.

- Assess policies and practices in states that have greater subsidy participation by HBCC providers to identify key elements that support HBCC participation. This could include gathering information from
  - HBCC providers participating in the subsidy system—including licensed, legally license-exempt HBCC providers and relative caregivers—about their experiences with the system to identify challenges and promising practices, and
  - state and local CCDF agency staff and stakeholders to identify challenges and opportunities in supporting participation among HBCC providers.
- Map out state HBCC subsidy participation patterns by analyzing state subsidy administrative data on HBCC participation and seeing how participation relates to state subsidy and licensing policies toward HBCC providers.
- Examine state HBCC provider application and approval processes to identify promising practices.
- Identify ways that states can establish more appropriate health and safety standards and supportive practices to help HBCC providers meet CCDF health and safety standards; recognize that standards need to reflect the different contexts and motivations of different HBCC providers.
- Identify effective strategies to reduce licensing barriers for HBCC providers while ensuring children’s health and safety and well-being.
- Bring together HBCC experts and child care financing experts to examine payment-setting strategies for HBCC and to suggest new approaches that are equitable and recognize the strengths and needs of the varied HBCC workforce.
- Examine ways that family child care networks can support HBCC participation in the subsidy system, either through helping them navigate the subsidies or by providing contracted slots.

Conclusion

CCDF is a federal program that helps parents with low incomes access child care so they can work and so their children can be cared for in settings that help them develop. But the CCDF subsidy system, as currently implemented, has significant barriers for HBCC providers who care for millions of children, including many infants and toddlers, children in rural areas, children whose parents work nontraditional hours, and children who have special needs. Supporting these providers’ participation in CCDF subsidies could significantly improve the well-being of the many parents and children who use HBCC providers, as well as support the material well-being of HBCC providers, many of whom have low incomes. The new resources provided to state subsidy systems under the pandemic relief packages provide states an unusual opportunity to address these barriers and to expand HBCC participation.

Notes

2. We interviewed David Alexander, Juliet Bromer, Jeanie Mills, Karen Schulman, and Mary Beth Salomone Testa. Elizabeth Davis and Bobbie Weber provided information via email.
3. Another 2.23 million HBCC providers are not paid and are not listed with any agency.
4. Data from the National Survey of Early Care and Education show that in 2012, 7 in 10 child care centers (versus 6 in 10 listed home-based child care providers and only 14 percent of unlisted paid home-based child care providers) reported receiving some public revenue.


Adams, “Finding Solutions to Support Child Care.”

See two sources on this issue. The first is an examination of subsidy experiences for legally exempt HBCC in four states (Snyder, Bernstein, and Adams 2008). The second is an examination of the subsidy experiences of licensed family child care and centers in four states (Adams, Rohacek, and Snyder 2008).


At least four states set their rates equal to those at centers for certain age groups, though a deeper examination of these data is needed to understand whether this is a true rate difference or instead reflects how states report the data or categorize the type of care (Dwyer et al. 2020).


References


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