



RESEARCH REPORT

# Providers in the Child Care Subsidy System

**Insights into Factors Shaping Participation, Financial Well-Being, and Quality**

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# Executive Summary

Child care providers play a key role in achieving the goals of the federal Child Care and Development Fund (CCDF): supporting both healthy child development and parents' pathways to economic stability. To accomplish these goals, high-quality providers in every community must be willing to accept child care subsidies, and the subsidy system needs to support providers' ability to stay in business while delivering high-quality services. But relatively little is known about what factors shape the willingness of providers to participate in the subsidy system or how involvement with subsidies affects providers' financial well-being and quality. These issues are especially salient given the recent reauthorization of the CCDF (and related rules) that encourage states to implement provider-friendly policies and practices and require states to support a supply of quality care in underserved areas and for underserved populations.

This paper provides insights into these issues to help inform implementation of the new rules by revisiting survey and focus group data collected from child care centers, family child care homes, and child care subsidy administrators and workers in five counties across four states in 2003 and 2004. We focus on child care assistance paid through vouchers, whereby parents choose the care they want (as long as it meets basic standards set by the subsidy system) and public funds are used to cover some or all of the cost. Our study yielded several observations:

- At the time we collected the data, the voucher system reached at least half of the regulated child care market in our study sites, and more than 80 percent of providers reported they were willing to care for some children with vouchers.
- Providers in our focus groups said they chose to serve children with vouchers because vouchers are a reliable source of funding and/or because they had a desire or mission to serve low-income families.
- Providers who did *not* serve children with vouchers—or limited the number they served—said this decision was related to one or more of three reasons: they served markets of mostly private-paying or higher-income families; they had difficulty working with the voucher system, specifically regarding payment rates, payment reliability, timing and timeliness, paperwork, and other administrative burdens; or they felt that families receiving vouchers were more difficult to serve because of higher turnover rates or challenges in collecting copayments.

- A substantial share of providers were in financially precarious shape. Depending on the site, provider type, and measure, roughly 25–50 percent of providers reported financial problems, such as operating at a deficit or struggling to meet payroll or pay bills.
- Serving children who relied on vouchers presented two challenges that affected providers' financial well-being. First, many providers experienced problems with voucher payment, such as low rates, delayed or inaccurate payments, and not being paid for a full month when subsidy agencies did not pay for absent days or if the provider unknowingly supplied care when the subsidy was not authorized. Second, some providers said they had to allocate substantial labor to managing the voucher system's administrative demands, which included completing paperwork and reaching knowledgeable staff at the voucher agency for information or to resolve the previously mentioned payment problems.
- Some providers mitigated the challenges of the voucher system by limiting enrollment of children using vouchers, accessing other resources to offset costs, and using effective administrative and program management practices to manage the clerical burden.
- Some providers were open about the effect of voucher system challenges on the quality of care they could offer, explaining that financial challenges affected staff salaries and schedules and constrained resources available to purchase materials or engage in special activities with the children.

The good news is that several particularly challenging voucher system policies are addressed in the updated CCDF legislation and regulations. The federal government has made strong recommendations or implemented requirements for states regarding payment timeliness, coverage for absent days, prompt notification of changes in eligibility, and more timely appeal and resolution processes for payment disputes. The new rules also take steps to reduce family turnover by requiring states to establish 12-month authorization periods, continue coverage through short transitions between jobs or other authorized activities, and offer a more gradual phasing out of assistance as family income rises. These important steps, if implemented effectively, are likely to help the CCDF better support children, families, and providers.

Of the many factors behind a provider's decision to serve children with vouchers, subsidy policies and practices are among the most important to understand and address, especially given their potential to affect providers' financial stability and quality. However, the financial impact of voucher policies and implementation practices may differ depending on the context of the provider. Specifically, providers with access to private-paying parents or outside funding can protect themselves by adjusting their level

of voucher participation or using other resources to cover shortfalls in revenue. These providers may be most willing to serve children with vouchers (or higher proportions of children with vouchers) when payment rates are good, voucher policies are reflective of their rules for private-paying parents, and dealing with subsidy agencies and families is not too challenging.

On the other hand, some providers, including those operating in low-income communities who rely heavily on subsidies for revenue and do not have access to other resources, may have little choice but to accept vouchers as they are. These providers may continue serving children using vouchers despite the challenges and their greater vulnerability to subsidy policies that undercut their financial well-being and ability to provide good-quality care.

These observations underscore the importance of the many provisions in the reauthorized CCDF that work to address these problems. They also highlight the importance of states taking a deep look at their provider-related subsidy policies and practices as they work to meet the goals of the new law and regulations. Thoughtfully and fully implementing policies addressing provider payment practices and continuity of coverage for families should help support providers as the cornerstone of the subsidy system and ensure that parents can access the quality child care they rely on to advance their careers and help their children thrive.



# Providers in the Child Care Subsidy System: Insights into Factors Shaping Participation, Financial Well-Being, and Quality

The child care subsidy system relies on providers to accomplish its goals of supporting children and families. Therefore, it is necessary to understand the factors that determine whether providers are willing to participate in the voucher subsidy system and how the system affects their ability to provide good-quality care.<sup>1</sup> It is especially important during this time of transition as states implement changes to Child Care and Development Fund (CCDF) programs in response to new requirements associated with the program's reauthorization under the federal Child Care and Development Block Grant (CCDBG) Act of 2014. The new requirements strengthen CCDF's focus on child care quality and direct states to implement provider-friendly payment policies and practices (see box 1 for a summary of key provisions).

This paper draws on work from 2003 and 2004 to offer insights for policymakers working to meet these new federal requirements and for researchers supporting those efforts. Information is presented in four sections:

1. Understanding the Context
  - » What share of providers in our study served children with vouchers?
  - » How willing were providers to accept vouchers?
  - » How did provider characteristics vary with their level of voucher program involvement?
2. Factors Shaping Provider Voucher Program Involvement
  - » What reasons did providers give for serving children with vouchers?
  - » What reasons did providers give for *not* serving children with vouchers?
3. Implications of Voucher Program Participation for Provider Financial Well-Being and Quality of Care
  - » How might voucher participation affect financial well-being?

- » How did providers mitigate voucher system challenges?
- » How might these issues affect program quality?

#### 4. Implications for Policy and Practice

There is little evidence that states have made sufficient progress on subsidy policies and practices that affect providers since we conducted our study. Fewer states are currently paying at the recommended level (Schulman and Blank 2010), and more recent research and journalism suggest that the issues we highlight continue to affect both voucher and contract funding mechanisms (Giapponi 2016; Iruka and De Marco 2011; Weber and Grobe 2014).<sup>2</sup> Since that time, however, the number of children receiving subsidies through CCDF has declined substantially, as has the number of providers being paid to care for those children.<sup>3</sup>

Our findings are drawn from data we collected in five counties across four states:<sup>4</sup>

- Jefferson County, Alabama, home to the city of Birmingham
- Monterey and San Diego counties, California
- Hudson County, New Jersey, home to Jersey City
- King County, Washington, home to the city of Seattle

Quantitative results come from telephone surveys we conducted with representative samples of centers and licensed family child care homes in each county.<sup>5</sup> Qualitative results come from interviews with state and local voucher program administrators and other experts, focus groups with caseworkers, and focus groups with center directors and family child care providers drawn from the survey population.<sup>6</sup>

These analyses build on a broader body of work from this research project, which has examined the experiences of providers with the child care voucher system (Adams, Rohacek, and Snyder 2008), child care vouchers and unregulated family, friend, and neighbor care (Snyder, Bernstein, and Adams 2008), and child care centers, vouchers, and faith-based organizations (Rohacek, Adams, and Snyder 2008). See those publications for additional findings and information about study methodology.

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## BOX 1

### Key Provider-Related Provisions of the Reauthorized CCDF

The Administration for Children and Families issued final CCDF regulatory changes, including many provisions affecting child care providers, in September 2016. Many of the provider-related policies fall under the section focusing on equal access, which is designed to ensure subsidized children can access child care services that are comparable to the services used by children not eligible for subsidies. To help give subsidized families a full range of providers to choose from, specific regulatory provisions call on states and territories to establish the following:

- Systems to track how many providers participate in the CCDF subsidy system and identify barriers to their participation.
- Adequate payment rates based on recent market rate surveys or alternative methodologies.
- Base payment rates that allow providers to meet certain health, safety, staffing, and quality, requirements.
- Overall payment rates that take into account the cost of providing higher quality care.
- Affordable family copayments and a rationale for allowing providers to charge parents more than the established amount to cover any gaps between the total voucher payment and their regular fees.
- Payment practices consistent with generally-accepted private-market practices:
  - » Benchmarks for timeliness (e.g., paying prospectively or within 21 days of service).
  - » Payments that are delinked from occasional absences as much as possible by paying based on enrollment rather than attendance or for up to five absent days a month.
  - » Paying full- or part-time rates not based on hours of service or smaller time increments.
  - » Ensuring providers receive prompt notice of changes in a family's eligibility status.
- Timely appeal and resolution processes for payment inaccuracies and disputes.

The reauthorized CCDF further addresses two other types of policies related to issues discussed in this paper. First, the revised law also focuses on supporting continuity of both subsidy receipt and child care. New requirements for 12-month eligibility periods are intended to reduce turnover, stabilizing child care arrangements and likely reducing the number of interactions needed between providers and voucher agencies. Second, it encourages states to expand and support the supply of child care, which may result in states investing CCDF funds to support certain providers in certain communities. Finally, the law strengthens health and safety, training, and monitoring requirements for subsidized providers.<sup>a</sup>

<sup>a</sup> For additional information, see the final rule, [45 CFR Part 98 Child Care and Development Fund \(CCDF\) Program](#), 81 Fed. Reg. 67438–595 (September 30, 2016), or summary analyses at “CCDF Reauthorization,” US Department of Health and Human Services, Administration for Children and Families, Office of Child Care, last modified December 20, 2016, <http://www.acf.hhs.gov/occ/ccdf-reauthorization>.

# Understanding the Context

For the CCDF to accomplish its goal of giving low-income families access to child care arrangements they could not otherwise afford, enough providers must be willing to accept vouchers. Before discussing other findings from our 2003–04 study about the factors that appear to shape provider decisions to care for children with vouchers, we provide context on the patterns of voucher program involvement we observed among providers in our five study sites.

## How Many Providers Served Children with Vouchers?

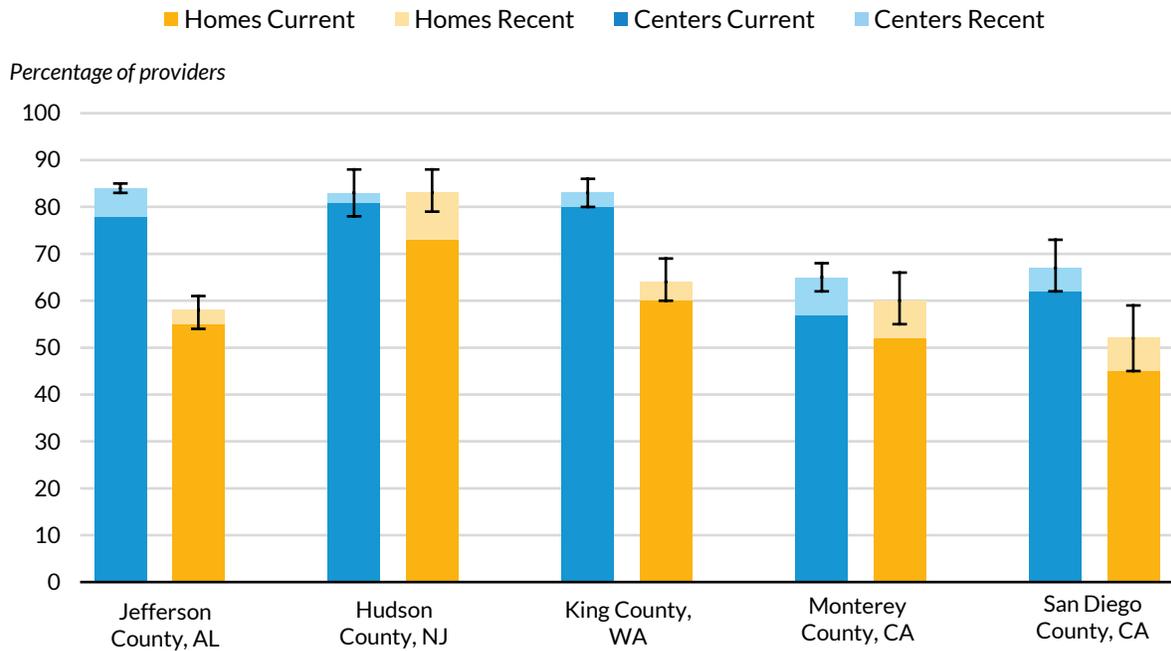
At the time of our study, the voucher system reached a large share of the regulated child care market in our study sites. In each county, at least 60 percent of child care centers and 50 percent of family child care homes were caring for at least one child whose fees were paid with a voucher or had accepted vouchers in the six months before the survey (figure 1).<sup>7</sup> These patterns are similar to findings in Colorado (Moldow et al. 2015), Massachusetts (Giapponi 2014), Washington (Moore and Gertseva 2015), and Iowa, Kansas, Missouri, and Nebraska (Raikes et al. 2003). Centers in the two California counties featured the lowest rates of any voucher program participation among centers in our sample, likely because a large share of CCDF and state subsidy funding was provided through contracts. Among family child care homes, we observed a higher rate of any voucher program participation in Hudson County, New Jersey, where licensing was voluntary and licensed homes were eligible for a higher voucher payment rate than unlicensed homes.

## How Willing Were Providers to Accept Vouchers?

Most center directors and home-based providers expressed a willingness to care for some children with vouchers. Across all study sites, 88 percent of centers and 83 percent of homes reported they were willing to care for children using vouchers.<sup>8</sup> Compared to centers in most other counties, centers in Monterey County were significantly more willing to accept children with vouchers, and centers in San Diego County were significantly less willing.<sup>9</sup> Compared to family child care homes in the other four counties, homes in Hudson County were significantly more willing to accept vouchers. However, about 40 percent of willing centers and 50 percent of willing homes indicated they would limit the number of families using vouchers they enroll.<sup>10</sup>

FIGURE 1

Share of Centers and Family Child Care Homes that Cared for at Least One Child Using a Voucher



Source: Urban Institute, Child Care Providers and the Child Care Voucher System survey, 2003.

Notes: “Current” includes providers that cared for at least one child using a voucher at the time of the survey. “Recent” includes providers that were not currently caring for any children using vouchers but had cared for at least one within six months of the survey. Error bars indicate the 90 percent confidence interval for the total estimate of providers who currently or recently cared for at least one child using a voucher. Confidence interval estimates account for the sample design and use a finite population correction factor.

### How Did Provider Characteristics Vary with Level of Voucher Program Involvement?

Many provider characteristics measured in the survey did not differ significantly with a provider’s level of voucher program involvement.<sup>11</sup> However, we did observe some patterns across the sites that raise concerns about the quality of care accessed by families using vouchers. In at least half the counties we studied, centers with a larger share of children using vouchers had significantly

- lower teacher wages (four counties),
- higher teacher turnover (three counties),
- fewer teachers with a bachelor’s degree (four counties), and

- fewer directors with a bachelor’s degree (four counties).

In at least half the counties, family child care homes with a larger share of children using vouchers were significantly more likely to have

- child-to-teacher ratios exceeding the level recommended by the American Academy of Pediatrics (2002) (three counties),
- beliefs about childrearing that are reflective of less sensitive caregiving practices (four counties),<sup>12</sup> and
- fewer children’s books available (three counties).

Family child care homes that accepted more vouchers did have some encouraging characteristics regarding quality of care. In at least half of the counties, family child care providers with a larger share of children using vouchers were significantly more likely to

- have received training on supporting early literacy development (five counties),
- have at least 10 hours of training in the year before the survey (four counties), and
- offer evening (four counties) and weekend (three counties) care.

## Factors Shaping Providers’ Voucher Program Involvement

Many factors affect how willing or able providers are to care for children using vouchers, such as the provider’s characteristics, the population they serve, and the subsidy system itself. In this section, we discuss the reasons providers in our 2003-04 study gave for serving—and for limiting enrollment or *not* serving—children using vouchers. Policymakers and other stakeholders who want to ensure low-income families receive equal access to high-quality care may want to consider these motivations and the trade-offs providers make when determining whether to serve subsidized families. And even when the reasons to serve voucher families outweigh the reasons not to and a large share of providers participate, it is still essential to be attentive to the challenges providers encounter when working with the voucher system because those challenges can affect how many subsidized families they are willing to serve as well as their financial stability and the quality of care they provide.

## What Reasons Did Providers Give for Serving Children with Vouchers?

Providers in our focus groups were motivated to serve children using vouchers for financial reasons and because they wanted to help low-income families. Though some providers were motivated by both reasons, others did not see the subsidy system as providing financial incentives but agreed to participate primarily out of a desire to support low-income families.

### FINANCIAL INCENTIVES

Some providers reported financial incentives for serving children in the voucher system, though their perspectives seemed to vary depending on the context they were in and their experiences with the voucher agency. For example, many providers saw the voucher system as a reliable source of funding and said being able to count on receiving at least some payment from subsidy agencies was a key benefit of serving families with vouchers. As a provider in Jefferson County explained, “You can depend on the...check. ...You know it’s gonna come.”

One factor that shaped provider perspectives on the relative dependability of voucher revenue was their experience with private-paying parents. For example, a provider in Hudson County noted that some private-paying families might pay less regularly than the subsidy agency or not at all, but with the subsidy agency, the payment “might be light, but you’re gonna get it.” Similarly, a provider in Monterey County explained that with vouchers, “I don’t have to chase that money,” and a provider in San Diego County said checks from parents sometimes bounce, but checks from the subsidy agency always clear.

However, for a subset of providers, vouchers were the only revenue option. Providers in neighborhoods where not enough parents could pay for care on their own told us they served children using vouchers because subsidy funds were essential for maintaining full enrollment and keeping their business economically viable. Provider perspectives on the reliability of voucher funding also seemed to depend on their experiences with local subsidy agencies. Some had so many problems with local agencies that they considered voucher payments less reliable and predictable than revenue from private-paying parents.

### WANTING TO WORK WITH LOW-INCOME FAMILIES

Although financial incentives were one motivator, providers also described altruistic motives for working with families receiving subsidies. Specifically, when we asked providers about the benefits of working with the voucher system, many mentioned it allowed them to fulfill a specific desire or mission to serve families with low-incomes or those who really needed good child care. A provider in Jefferson County explained, “For me, it’s not all about the money,” and a provider in King County told us there was

“no benefit” to participating in the voucher program other than the “warm fuzzy factor” and that it was “the serving-the-community factor” that appealed to providers. Another King County provider said a benefit of serving families using vouchers was that “you are giving people a hand up. ...You’re helping people to help themselves, which I think most people like to do.”

Results from the survey supported the focus group findings indicating altruism was an important factor in providers’ decisions to serve low-income families. Very few providers reported they would stop serving families with vouchers even if they could fill their programs with private-paying families.

## **What Reasons Did Providers Give for Not Serving Children with Vouchers?**

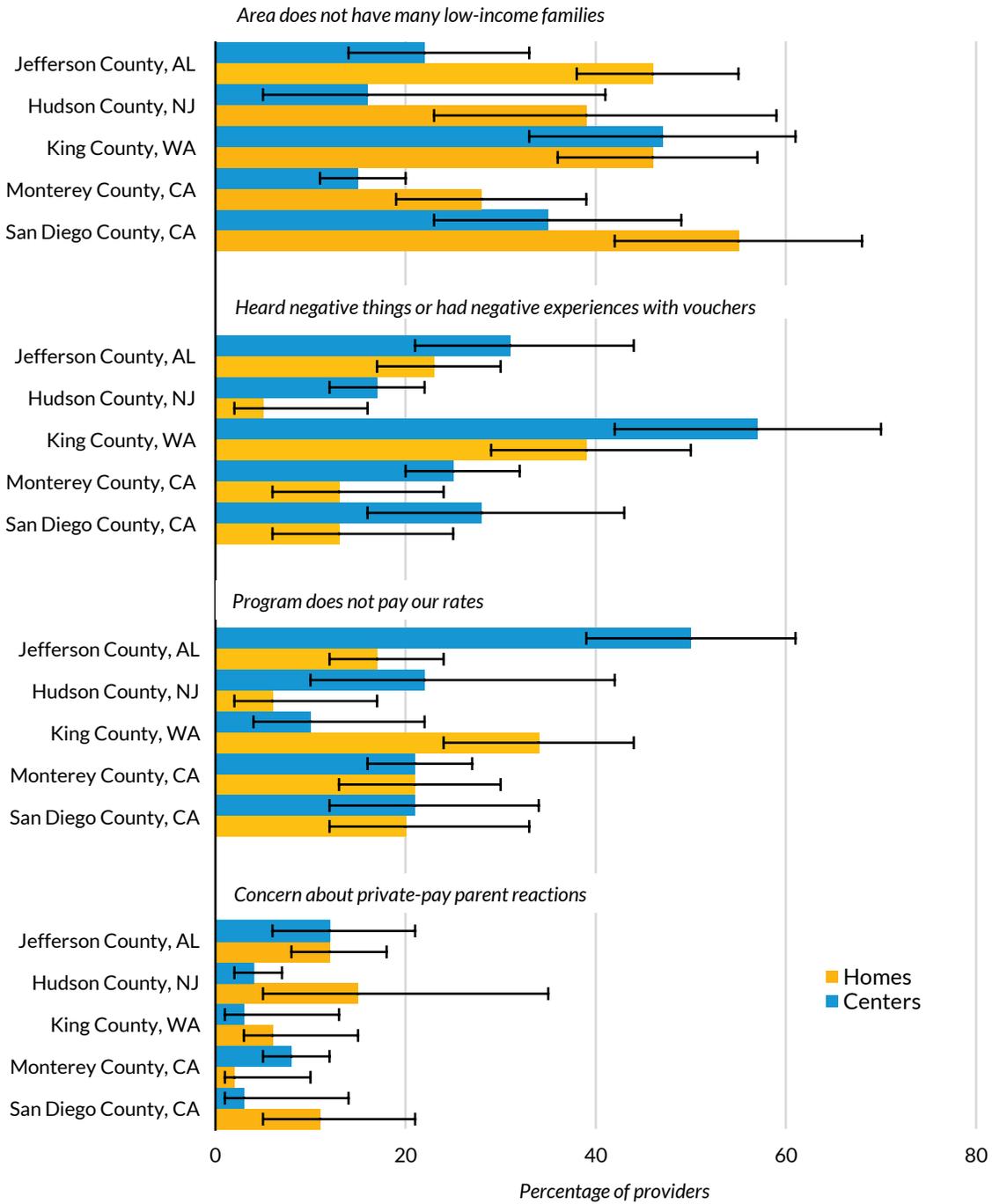
Some providers chose to not serve children using vouchers—or to limit the number served—because they saw relatively little demand from parents using vouchers, had experienced challenges working with the voucher system, or had concerns about working with subsidized or low-income families. Figure 2 presents an overview of survey results showing the rate at which providers reported different reasons for not serving children using vouchers. Findings from our interviews and focus groups with providers, subsidy administrators, and frontline workers offer additional insights into these issues.

### **LITTLE DEMAND FROM SUBSIDIZED FAMILIES**

Survey and focus group findings indicated some providers did not serve more children using vouchers because they operated in markets of mostly private-paying or higher-income families. A focus group provider in Jefferson County explained, “No one’s ever asked me. No one’s ever approached me. And I have no idea how you’d even go about getting children funded through...[the subsidy agency].” A provider in San Diego County noted, “The school that I work...at, it’s a fairly affluent school, so 90 percent of the mothers don’t even work. So [serving families with vouchers] is not even an issue.” Other providers said they exclusively served certain populations not receiving vouchers (e.g., families from a certain church or children of teachers) or that their hours (only open part of the day or closed during the summer) would not meet the needs of subsidized families.

FIGURE 2

Reasons Centers and Family Child Care Homes Did Not Serve Children with Vouchers



Source: Urban Institute, Child Care Providers and the Child Care Voucher System survey, 2003.

Notes: Survey respondents were given a list of reasons and asked to indicate with a yes or no answer whether each was a reason they were not caring for at least one child using a voucher. Error bars indicate the 90 percent confidence interval, accounting for the sample design and using a finite population correction factor.

## CHALLENGES WORKING WITH THE VOUCHER SYSTEM

One goal of this study was to explore how voucher policies and administrative practices affect providers and their willingness to serve subsidized families. Survey and focus group data indicated that these issues, which are especially amenable to policy changes, influenced at least some providers' decisions about whether to serve children using vouchers. Providers mainly struggled with four elements of the voucher system:

- Payment rates
- Payment reliability, timing, and timeliness
- Paperwork
- Other administrative burdens

A Monterey County provider who had tried to persuade her peers to serve subsidized families summed up all these challenges by saying, "More and more during the [discussions with other providers], I heard that it is a headache. The red tape, the paperwork, the lack of payment and the time frame [for payments], these are very strong motivations...to not participate."

**Payment rates.** Many providers said voucher agencies paid less than they could receive from private-paying families. A subsidy administrator explained, "Instead of being able to charge \$500 a month, you are only getting \$300 a month. You have got a huge gap, and if you have 100 kids in your care that are all subsidized, that is 100 kids times \$200 a month you are just not getting. So...it is just the dollars and cents." A provider summarized the challenges of low rates by saying, "For my budget, I just couldn't afford to take another [child using a voucher]. It was going to pay me less than what I could get [from a private-pay family]. ...You want to help out and do your part, but I don't want to lose so much [money]." Survey respondents in King County, which had the lowest subsidy payment rates relative to the private market among the five study sites, were most likely to report that the total voucher payment was lower than what they received from a private-paying parent, that they were not serving more children using vouchers because "the program does not pay our rates," and that they would serve more children using vouchers if payment rates were higher.

When discussing why they were not serving more children using vouchers, providers also mentioned the revenue they lost because of the system's other payment policies. Two main causes of unexpected revenue loss for providers were changes in a child's eligibility status and lack of payment for days children were absent (see Adams, Rohacek, and Snyder 2008). As described in box 1, the revised CCDF rules address these issues in a number of ways, including by strongly encouraging states

to pay based on current market rates, do a better job of notifying providers about changes in family eligibility, and pay for absent days.

**Reliability, timing, and timeliness of voucher revenue.** Providers also expressed concern over delayed payments, the retrospective nature of payments, and the general reliability of revenue from vouchers, all of which affected providers' cash flow and their willingness to serve children using vouchers. A King County provider who did not accept vouchers described these problems as "a huge issue":

You're providing food, you're providing care, the materials, everything in [a given] month for the child, and [the subsidy program] throws our balance off on our budget. ...I'm paying a teacher that month to care for that child, and they're...taking up the space. It's not just one month behind. By the time you fill the paperwork out and send it in, it might be two or three [more] weeks, and then you're going into the next month...so it throws [the budget] off really, really badly.

A Jefferson County provider said she limited how many children using vouchers she served mainly because the revenue was unpredictable. "I don't know how much I'm supposed to get," she said. "I don't want to depend on [voucher revenue] because it is never the same amount, so I don't know what's [going to be] coming in." A Monterey County provider explained, "I have a limit of five that I take and I feel really bad, but I have to do something to protect myself because I can't keep providing free child care."

The new regulations are designed to address some of these concerns, in part by requiring subsidy agencies to ensure timely payment by either paying prospectively (before delivery of services) or by paying retrospectively within 21 calendar days of receiving a complete invoice for services.

**Paperwork.** Providers also weighed the administrative burden associated with working with subsidy agencies. A San Diego County provider who limited how many children using vouchers she served said, "I think it is a lot of paperwork. Every bit of paperwork takes time away from the children unless you want to be doing it on weekends or at night." We heard similar sentiments from providers in all five counties. In Monterey County, a provider who did not accept vouchers explained, "We [would] spend more time on paperwork than with the kids." Another provider agreed, saying, "I don't want to be bogged down with [paperwork]." One described a center she knew of that had stopped accepting vouchers. Previously, the center had served as many as 90 children using vouchers, but the individual attendance forms required for each child every month became too cumbersome.

Survey findings corroborated these concerns. Between 51 and 82 percent of centers and homes, depending on the county, said they would be willing to care for more children using vouchers if the system involved less "paperwork and administrative hassle."

**Other administrative burdens.** Providers described other difficulties working with voucher agencies as well, such as trouble getting in touch with caseworkers, resolving payment problems, and getting information on whether a family was authorized to receive a subsidy. Providers also expressed frustration about caseworkers who were not sufficiently knowledgeable.

Overall, focus group data suggested these particular issues were not necessarily deal-breakers in and of themselves. But for some providers, they represented the last straw. A San Diego County provider told us, “I’m in a position where I like to help single moms, but I get paid a lot less from [the voucher agency]—like \$100 less a month. That’s okay with me because I want to help single moms. But when [the agency] doesn’t answer your phone calls, I get really frustrated and feel like, ‘I’m not doing this anymore!’” Another provider explained she does not accept vouchers because “Money is one thing. You might sometimes sacrifice money for the sake of the child...but there is a lot of interference [providers have to run], a lot of paperwork, and a lot of bugging.”

Many providers were especially frustrated by how difficult it could be to reach someone at the voucher agency who could answer questions or address problems. Reducing the hassle associated with reaching knowledgeable staff at the subsidy agency would have at least two benefits. First, it could save providers time and frustration, both of which can affect the care they offer to children. Second, unresolved questions or problems feed into many other issues that may influence providers’ willingness to serve children with vouchers, including payment level, timeliness, and predictability. Again, new legislation and regulations address some of these challenges by, for example, requiring states to establish timely appeal and resolution processes for payment inaccuracies and disputes.

## CONCERNS ABOUT WORKING WITH SUBSIDIZED OR LOW-INCOME FAMILIES

Some providers felt it was more challenging to work with families using vouchers. In certain cases, this affected their willingness to serve those families (see Adams, Rohacek, and Snyder 2008). In both the focus groups and the survey, providers most often cited two challenges related to working with subsidized families: family turnover and copayment collection. A smaller share of providers described other difficulties working with subsidized or low-income families that also affected their willingness to work with the subsidy system.

**Family turnover.** Nearly half of survey respondents agreed with the statement, “Compared to other families, there is a lot of child care turnover among families receiving vouchers.” Focus group providers explained that high turnover among families using vouchers affected them both emotionally and financially. Providers found it painful to build relationships with children and families only to have them leave the program after a short time. And a King County provider who decided to stop caring for

subsidized families for financial reasons explained, “I couldn’t rely on the person being there for the whole year. ...I was very uncomfortable thinking that if I enroll this person and they left me in November, I would have a hard time filling the spot until after Christmas.” The reauthorized CCDF and revised regulations contain several provisions, including 12-month authorization periods, designed to address continuity of care and should have some impact on family turnover (see box 1).

**Collecting copayments.** Providers also struggled to collect copayments from parents, which affected their bottom line and caused stress and conflict with parents. A Jefferson County provider who did not serve families using vouchers noted:

At this stage, I just choose to deal with private-pay parents. It’s less hassle. ...I don’t have to beg, fight, or ask anybody. [Private-paying parents] know their fees are due on Friday mornings...it’s no problem. Whereas when you are dealing with people who are on subsidy, a lot of times the \$5, the \$10, the \$20, it seems to be a problem. So I just choose to take private parents.

A King County provider told us, “A lot of times, if the parent comes in and they’re missing their copay, I just can’t bring myself to say, ‘You owe me \$10. Can you pay me \$10?’ However, my husband and I have an agreement that we won’t take any more [families using vouchers] than we have right now.”

**Other concerns.** Some providers in our focus groups explained that families using vouchers could require additional time and resources or place additional stress on their staff. A subsidy administrator said some providers told the agency they stopped serving subsidized families “because they are more difficult to deal with.” The administrator continued, saying, “Some of that is the behavior of the children, but I think some of it is the behavior of the parents.” Providers told us that some families using vouchers came to their programs with more needs or demands and were less likely to follow policies and procedures, such as adhering to drop-off or pick-up times or bringing required supplies (e.g., diapers or a change of clothes).

Some providers also felt the hardships faced by low-income families meant children needed more time and attention than their staff could afford to give. In a King County focus group, a provider related an experience with a subsidized child’s challenging behavior. This provider acknowledged that not all children using vouchers required extra attention, but said, “That one experience with both the child and the mother was enough to make me say, ‘I don’t take [voucher] children anymore.’” Another provider explained:

It’s always difficult when you have a child that needs some extra help. ...We have a...psychologist who we use...[who is] wonderful when we have a child that is challenged in the classroom, but it’s always a time-consuming thing. It’s difficult on the staff, and it’s painful...trying to get the child some help. If you foresee in advance that that could be the case, I can see where it might make some [providers] leery.

A small subset of providers also considered how private-paying families in the program would be affected. A provider in San Diego County noted, “Truthfully, I could not see those particular children coming into my program because I could just see the whole socioeconomic thing going on. And I could see that being very awkward to the child because even at that age they see that.” We explored this issue in our survey by asking providers if they were not serving families with vouchers because they were “concerned about how private-pay parents will react.” Although it was among the least commonly reported reasons, between 4 and 12 percent of centers and 2 and 15 percent of homes, varying by site, reported that this affected their decisionmaking.

### HOW CHALLENGES AFFECTED WILLINGNESS TO SERVE SUBSIDIZED FAMILIES

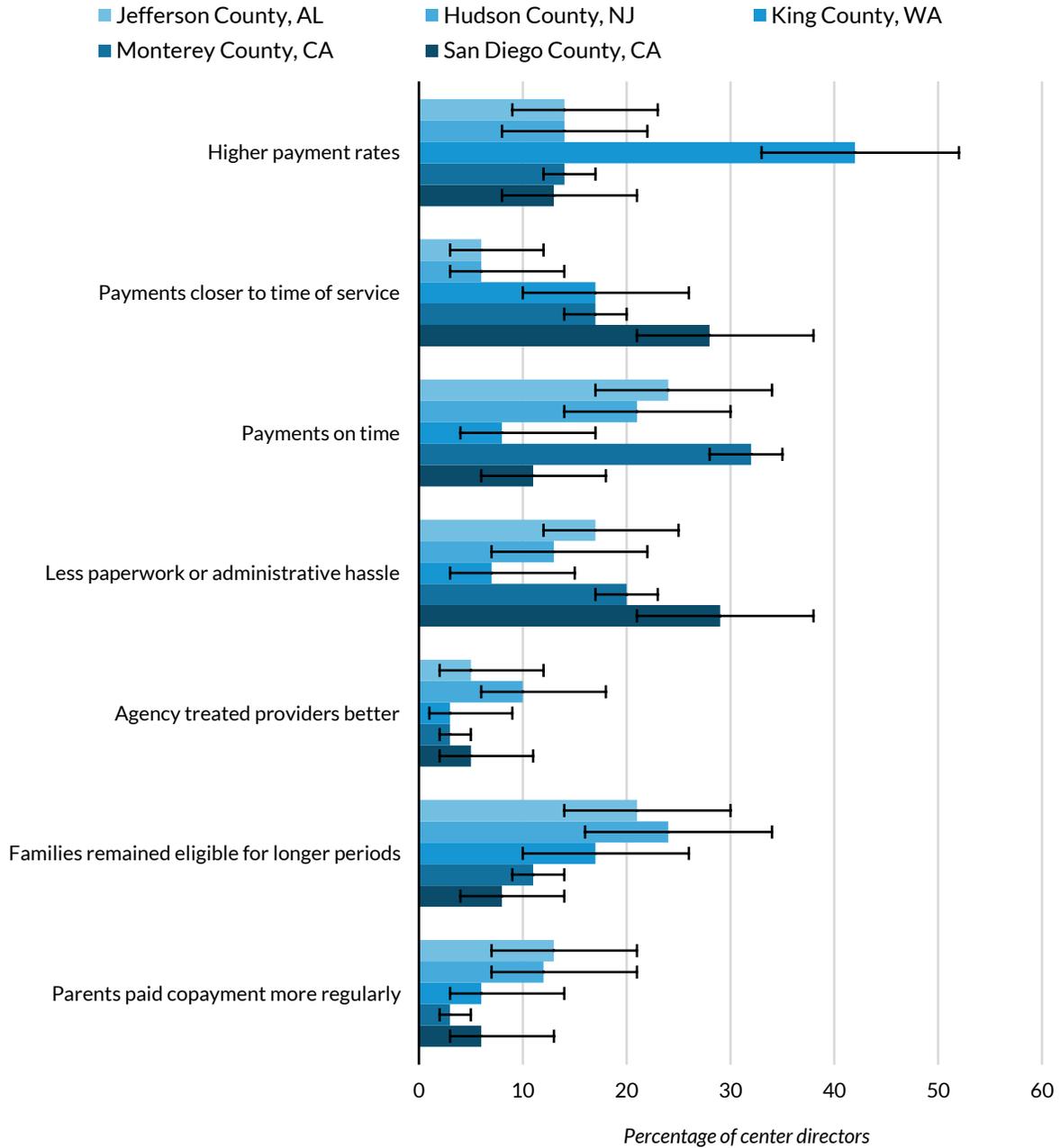
Our survey offered quantitative information about how these challenges affected provider willingness to serve families using vouchers. We asked respondents who limited how many children using vouchers they served if various improvements to the subsidy program would encourage them to accept more vouchers. Each of the improvements mattered, though how much they mattered varied across sites and program types.

We also asked providers which one improvement would be most helpful in encouraging them to serve more children using vouchers (figures 3 and 4). Although uncertainty around the estimates makes it difficult to conclusively identify one factor as most important, the point estimates suggest certain trends. Center directors in three counties were most likely to cite timely payments as the most important factor. In San Diego County, directors instead favored less paperwork or administrative hassle, and King County directors most often chose higher payment rates. Family child care providers in four counties were most likely to cite higher payment rates; those in San Diego County viewed timely payments as the most important factor influencing their level of involvement with the subsidy system.

We observed that the issues providers emphasized in the survey and focus groups often related to specific policies and practices in their county. For example, at the time we conducted our study, Monterey County voucher agency staff told us about recent administrative challenges affecting the timeliness of payments, and center-based providers in Monterey County were significantly more likely to consider timely payments the most influential factor in accepting more vouchers. However, the survey data demonstrate that all of these issues mattered to at least some providers.

FIGURE 3

**What Changes to the Voucher System Would Most Encourage Center Directors to Accept More Children Using Vouchers?**

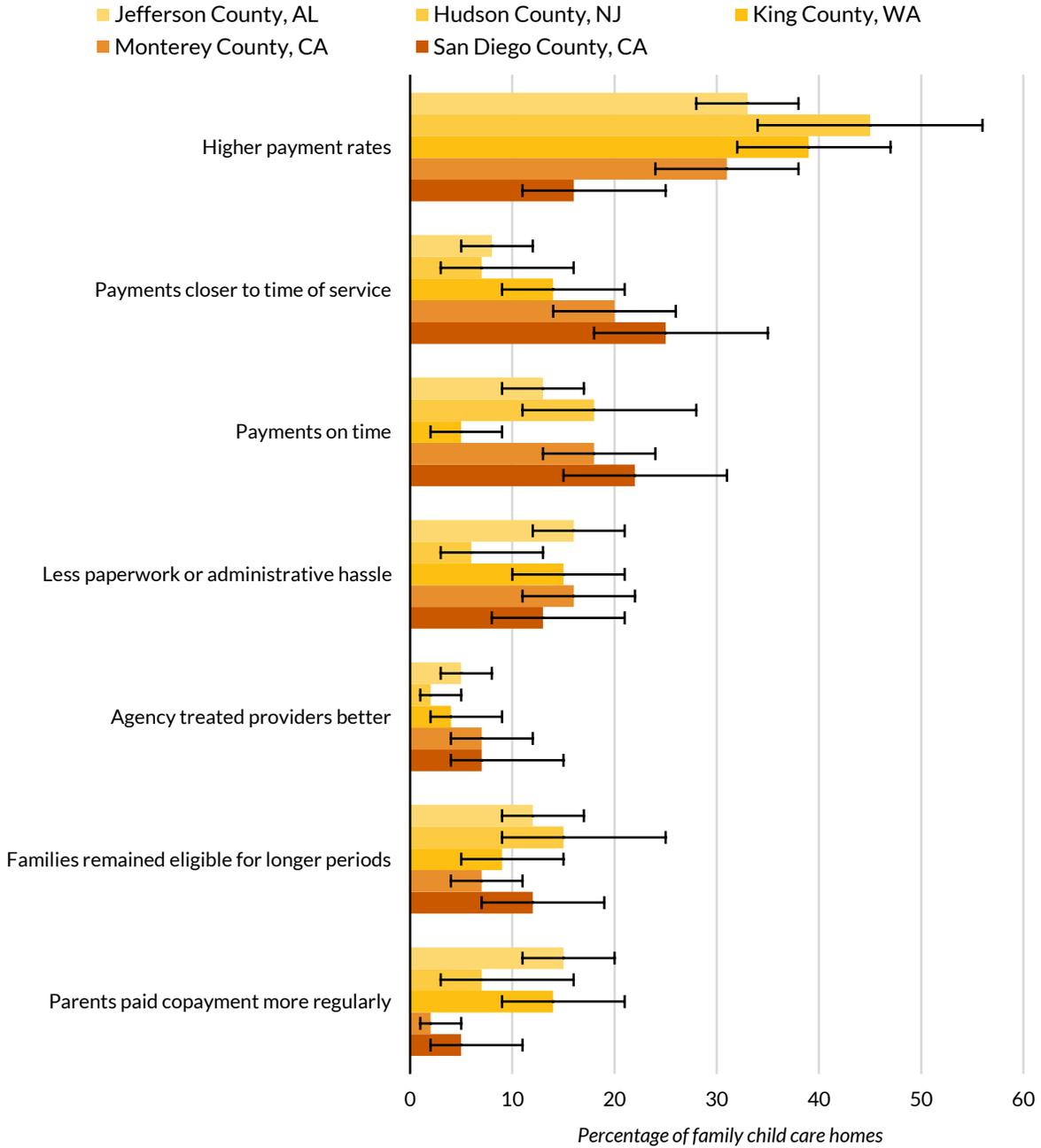


Source: Urban Institute, Child Care Providers and the Child Care Voucher System survey, 2003.

Notes: Survey respondents were given a list of possible changes to the voucher system and asked to indicate with a yes or no answer whether each was a change that would encourage them to care for more children using vouchers, then asked which was most important. Totals across counties may not add to 100 percent because respondents could select an "other" answer. Error bars indicate the 90 percent confidence interval, accounting for the sample design and using a finite population correction factor.

FIGURE 4

**What Changes to the Voucher System Would Most Encourage Family Child Care Providers to Accept More Children Using Vouchers?**



Source: Urban Institute, Child Care Providers and the Child Care Voucher System survey, 2003.

Notes: Survey respondents were given a list of possible changes to the voucher system and asked to indicate with a yes or no answer whether each was a change that would encourage them to care for more children using vouchers, then asked which was most important. Totals across counties may not add to 100 percent because respondents could select an "other" answer. Error bars indicate the 90 percent confidence interval, accounting for the sample design and using a finite population correction factor.

## Balancing Trade-offs and Other Considerations

Looking across our 2003–04 survey and focus group findings, it is clear that many factors shaped the supply of child care services for low-income families. Further, the impact of voucher policies appeared to differ depending on provider motivations and the markets in which they operated. In some markets, the subsidy program was the only substantial source of revenue, and providers could either enroll a large share of children using vouchers or close down. Providers in other markets with more private-paying parents could adjust their involvement in smaller increments, weighing the pros and cons and deciding how many children using vouchers, if any, they were willing to enroll.

To ensure that subsidized families have access to a full range of providers, the voucher system must work well enough that providers will agree to participate. A number of changes required under the CCDBG Act of 2014 and related regulations—including longer subsidy authorization periods, standards for timeliness of payment, and payment rules that support providers’ fixed costs and more closely align with how they charge private-paying families—are designed to help address some of the factors that may have historically limited low-income families’ access to a range of providers.

## Implications of Voucher Participation for Providers’ Financial Well-Being and Quality of Care

The previous section explored the factors influencing providers’ involvement with the subsidy system. For providers who accepted vouchers, either by choice or because it was their only viable source of revenue, these same factors had the potential to affect their financial well-being and the quality of care they offered. In this section, we discuss what providers caring for subsidized children told us about how problems in the system affected their financial stability, steps they took to mitigate problems or manage risk, and the possible implications of voucher participation on the quality of care they offer.

### How Might Voucher Participation Affect Financial Well-Being?

To keep their doors open and provide high-quality services, child care providers must maintain a basic level of financial health. Provider financial health depends on many factors, but it is clear the subsidy system, specifically voucher policies and implementation practices, can affect the timeliness, consistency, and sufficiency of revenue for providers serving subsidized families. This is especially relevant for providers heavily dependent on the subsidy system as their primary revenue source.

## MANY PROVIDERS WERE IN A FINANCIALLY PRECARIOUS POSITION

Survey findings indicated that many providers in our study regularly experienced difficulty balancing their budgets and paying their bills, raising concerns about their capacity to absorb delays and shortfalls in revenue:

- Between 29 and 43 percent of centers, varying by site, operated at a deficit (i.e., reported their expenses during the previous fiscal year were greater than their revenue).<sup>13</sup>
- Between 34 and 52 percent of centers in most sites (and up to 63 percent in Hudson County) sometimes or often struggled to meet payroll or other bills in the previous year.
- Among family child care providers, between 36 and 41 percent reported expenses greater than revenue in at least 1 of the 12 months before the survey.
- Between 31 and 45 percent of family child care providers sometimes or often had trouble paying household bills during the previous 12 months.

## VOUCHER PAYMENT CHALLENGES WERE RELATIVELY COMMON AND CAN CAUSE FINANCIAL HARDSHIP

Some providers in each site thought the total payment they received when caring for a child using a voucher was less than they received from private-paying parents. The frequency of that view varied widely from 17 to 54 percent of centers or homes and up to 78 percent of centers in King County.

Several policies contribute to this perception. Some states have payment rate ceilings for vouchers that are lower than what providers regularly charge. Revenue from serving subsidized families can be further undercut if providers do not collect copayments or if the subsidy agency reduces the expected payment because of absent days or changes in a child's subsidy authorization (Adams, Rohacek, and Snyder 2008). Between 42 and 67 percent of surveyed providers, with a high of 82 percent of centers in King County, said they sometimes did not receive a full payment because of a voucher child being absent. Between 26 and 52 percent of providers serving children using vouchers, with a high of 63 percent of centers again in King County, reported a problem receiving adequate notice about changes in family circumstances that could affect payment in the six months before the survey.

Other problems—including payment accuracy, the retrospective nature of voucher payments, and extended payment delays related to subsidy authorization problems—can further affect provider cash flow. Between 33 and 49 percent of providers in our study reported a problem with late payments, and

between 27 and 43 percent had a problem resolving a voucher payment dispute in the six months before the survey.

Providers in our focus groups described how these issues affected their overall budget and how voucher payment amounts and procedures could result in financial hardship. A Jefferson County provider said, “If you are a mom-and-pop child care center, you are barely breaking even in this state. ...One child subsidy lapsing, or two, can close a center because these centers are running on such tight margins.” Similarly, a Hudson County provider noted that delayed or lost subsidy payments “can ruin you, it can close you up.” Another Hudson County provider agreed and also noted, “Your vendors don’t understand that. They [the vendors] want their money, so you have to get your money in order to pay them.”

Several providers said they had to use personal funds to make up for unexpected shortfalls in voucher revenue. One explained, “You have employees that you have to pay...[and] rent...a lot you have to take care of. And when they’re holding the money back, you have a problem because that means it has to come out of your pocket.” For home-based child care providers, these problems affect their finances even more directly. Some said they had to cut back on basics, were unable to pay bills, including rent, or accumulated credit card debt as a result of subsidy agency payment problems. As discussed earlier, many issues that contribute to voucher payment problems have been addressed in the reauthorized CCDF.

#### OTHER COSTS OF WORKING WITH VOUCHER AGENCIES

Some providers who accepted vouchers also had to allocate substantial labor to managing the voucher system’s administrative demands, such as contacting agency staff for information, completing paperwork, or resolving payment problems. Providers emphasized that resolving payment problems was not just time-consuming but could also be very stressful and diminished their ability to be emotionally available for children and staff.

Family child care providers were particularly challenged by this aspect of the system, as they were sometimes the only caregiver in the home and could only contact voucher agencies during work hours. One Monterey County provider said interacting with the agencies “[takes] me away from the kids because I’m the only one taking care of the kids. I’m by myself, so...I usually have to turn the TV on and put in a movie so I can just call these people and talk to them.” Another provider noted, “You’re there to take care of the kids, and you can’t be just talking on the phone.”

## How Did Providers Mitigate Subsidy System Challenges?

Despite these challenges, many providers expressed a willingness to care for children using vouchers. Discussions in our focus groups indicated that some providers thought strategically about how to minimize the impact of subsidy system challenges on their program operations and financial well-being.

### LIMITING ACCEPTANCE OF VOUCHERS

Although nearly all providers reported they were willing to care for children using vouchers, many limited the number they served. Most of these providers had a specific limit, either a number of slots or percentage of total enrollment, though some chose to screen individual families and only accept those they felt were a good fit for the program and would follow policies and procedures.

Some providers had a limit because of the direct financial implications. A Monterey County provider said, “I’ve learned that in order to keep my [own] kids healthy and fed, I can’t take all of them subsidized...because things go wrong all the time with the payments, and I have to have something to rely on.” Similarly, a King County center director explained that when 60 percent of children in their program were paying with vouchers, the program was “going broke.” As a result, the center had to limit subsidized enrollment to 25 percent. Another King County director said, “We...try to limit it to five or six spots because of the damage it can do to the budget. ...I look at that amount as basically our tithe, our 10 percent that we can give.” She also said the program had calculated they could take a “hit” for the equivalent of one slot in each classroom.

Other providers had limits because of the administrative costs associated with vouchers. One San Diego County family child care provider explained:

I have four private-pay and only two voucher children because I don’t want to deal with more. I always like to [offer] quality daycare and I don’t want to be so stressed. ...I do everything—activities, a lot of craft activities. If I have more [subsidized] kids, I’ll have more paper[work] to do, and who’s gonna take care [of the kids]?

Some providers were only willing to work with the subsidy system when it allowed them to serve a family they felt especially compelled to help. One provider, who placed a limit on children paying with vouchers because of the associated administrative challenges and paperwork, described her commitment to the families she served and to their well-being:

If I [decide] that I’m willing to work with [the family], then I put up with whatever [challenges] the agencies put out. Because I want that parent to make it, I want that child to have a good start. I’m gonna invest myself in them, so I will tolerate whatever hoops [the agency] makes me jump through. I may complain about it, but I’m there for the child and the parent.

To better monitor how these issues affect provider participation, the new CCDF regulations require states to track provider participation and the barriers providers face serving families with vouchers.

### USING OTHER RESOURCES TO OFFSET COSTS

Survey data suggest most providers rely primarily on parent fees and/or voucher payments as their only sources of revenue. But some providers in our focus groups also mentioned drawing on other resources to offset the financial hardship sometimes associated with accepting vouchers. A center director in Hudson County said, “You can’t get that quality of care if you’re just strictly relying on the funding that you are receiving from the [voucher agency]. ...Our expenses far exceed the money we receive from voucher programs.” As a result, this center also relied on private and corporate donations to supplement revenue from the voucher program.

Other providers held fundraisers, applied for grants, or received financial support from the larger organization operating their program. A faith-based provider in San Diego County noted that “sometimes the church picks up half of what we lose.” A director in King County whose center was affiliated with a larger organization had similar flexibility. She explained that because that organization would cover some costs, delayed payments did not affect their ability to serve meals or pay teachers. However, the organization also set a limit on that support, and she had to lower the proportion of subsidized families she served.

Some family child care providers said they made up the shortfall by getting a second job or relying on other earners to support their family. A Jefferson County provider said voucher-related funding problems didn’t affect her because her fiancé was the financial provider for her household. And one Monterey provider explained, “I’ve always just managed. I’ll go out and do whatever I have to do. Sometimes I do child care in the evenings for other people if I have to make ends meet, but nobody’s going to [be denied care] because I don’t get paid.”

### USING STRONG ADMINISTRATIVE AND PROGRAM MANAGEMENT SKILLS

Both providers and voucher agency administrators said providers who were more experienced managers, and who understood key business principles, were less likely to incur some of the costs associated with voucher system participation. One local subsidy administrator went so far as to suggest that agency policies had little impact on provider financial stability and that it really depended on how well providers managed their programs and business practices. She thought that well-administered child care programs had a much easier time working with her agency, noting, “You can clearly see [some

providers] have a system that is very efficient, very effective. They know exactly what to do, what we need and why we need it, and they do it.”

Respondents also pointed out that the skills needed to effectively care for children are different than the skills needed to run a business. Because of that, new providers could especially struggle with voucher system procedures. A local voucher administrator noted that paperwork could be overwhelming for providers depending on how organized or “businesslike” they were, saying, “My sense is that any start-up family child care provider might have difficulty. ...Some people are just less efficient than others.” Another respondent noted that smaller providers are typically self-employed, which presents an added challenge: “When you’re self-employed, your [pay]checks aren’t like everyone else’s. ...For some providers...especially the ones that are not licensed that aren’t used to [being self-employed]...unless they have really good organizing and budgeting skills, it’s difficult.”

In general, focus group and interview data suggest that it could be useful to help providers strengthen their administrative and organizational skills to better keep track of redetermination deadlines, understand where to find details about a family’s subsidy authorization, know what to look for in notification documents, keep track of subsidy payments owed and better understand payment discrepancies, communicate effectively with voucher agencies, establish and enforce expectations for parents (e.g., around copayments), and take other steps to reduce the number of payment problems and the scope of their impact.

## **How Might These Issues Affect Program Quality?**

We observed that providers were open about discussing the costs they associated with the subsidy system and their frustration over incurring those costs. But most providers found it much harder to articulate how those costs affected the quality of the care they were able to offer. When we asked how the problems they described affected the services they could offer families, sentiments often echoed the comments of one provider: “You care for the children regardless.” Similarly, a provider in Monterey County said that not getting paid would have no impact on the care she gave the children, explaining, “I respect those kids and I want them to have everything.” A King County provider said, “It doesn’t affect the care at all. It’s not the child’s fault.” Another added, “It doesn’t affect the way we take care of the children at all because I’ll go without before I let them go without.”

But some providers—most commonly those who had chosen to limit or end their subsidy program participation because of concerns about quality of care or who had identified effective ways of

compensating for reduced revenue—were more open to discussing the implications of subsidy system challenges on quality of care. For example, providers in Hudson County told us they did not believe it was possible to provide good-quality care exclusively with voucher funds and explained they were only able to do so through added funding from other sources.

Local experts and agency staff in several sites seemed to agree. An administrator in Jefferson County said providers have to come up with additional funds or risk “compromising quality” in staffing and materials. A local voucher administrator in another site explained:

Typically, I would say programs that operate in areas where there are more middle...income families tend to really restrict the number of state subsidy kids in their programs, whereas programs that are in really low-income areas don't necessarily have the luxury of doing that, so they will take more state subsidy kids into their program. In fact, a number of our programs in very low-income areas can have 90 percent or more state subsidy children. That really impacts their revenue, which means that they tend to hire staff that may not be as well-qualified. ...The staff tend to not have as good wages...and often they don't have benefits like medical, dental, retirement, or even...a really good sick or vacation plan. ...But they have no choice, so they tend to take whoever walks in...that really impacts the quality of care that...providers can give, even though their intent is to give really good-quality care.

Both providers and voucher administrators said centers and homes cut costs in two key areas—staff salaries and extras for children—to address the financial challenges sometimes associated with voucher participation.

**Staff salaries.** Several providers said budgetary problems directly affected their staff salaries and capacity to meet payroll. This is not surprising given that labor costs are the largest single component of child care program budgets. A Jefferson County provider described the direct link between their budget and voucher payment policies and practices:

You depend, basically, on your subsidy to pay your workers, to provide for food. ...It becomes an issue because if you sit down and calculate 'I've got X amount of kids and I'm paying this amount out for payroll and this amount for supplies or whatever.' I have a large center, so I have four or five kids I might not get paid for [through the voucher program]. Well, you add that up, that's a lot of money. That could be two of my employees' paychecks, so it does become an issue.

A King County center director who had lost thousands of dollars in one month because of problems with voucher payments said she had to lay off some workers and cut hours by having the remaining staff take rotating days off. The director also began working in the classroom herself and combined classrooms to manage the reduced staffing level. Other providers also mentioned cutting staff hours or positions and not knowing whether they could meet payroll. “It is really all down to the bottom line,” a King County provider noted. “If you can't pay your teachers, you can't stay in business.”

One administrator discussed the links between quality of care and financial stability, noting that when providers know they will be paid, they can afford to hire extra staff or buy supplies. She also recognized providers might not feel confident they would receive steady payments from voucher programs and highlighted the challenges facing providers in that situation, noting, “If there’s a delayed payment for any reason...then I can see how that affects the stability with their payment and could affect quality.”

**Extras for children.** Many providers said they did not allow budgetary shortfalls to affect the nature of their services, but some did mention specific consequences. One King County family child care provider said she had to “cut way down to the bottom in what I do for supplies” and “cut off everything that we used to do that was more elaborate for the kids,” including a summer swimming class. “Field trips,” she said, “have been minimized to things that are free, closer to home.” A San Diego County provider who also had to cut back on activities and extras said, “You don’t want to find yourself telling the kids, ‘Well, we would have gone to the movies but unfortunately they didn’t send the money this week.’ The kids don’t understand that.”

## Conclusions and Implications

Providers are central to the success of the child care subsidy system. Our findings provide important insight into the factors that influence provider participation in the subsidy system and how subsidy policies and practices can affect their ability to provide good-quality care. Three specific insights are important to highlight. First, efforts to support the participation of providers in the subsidy system must consider the complex interactions among the factors contributing to a provider’s decision to serve children using vouchers. These factors include their personal motivations, the market in which they operate, and their experiences with the subsidy system and low-income families.

Second, subsidy policies and practices play a strong role in shaping the willingness of providers to serve children using vouchers and can affect their financial stability and the quality of care they offer. These policies include the obvious factors, such as payment rate ceilings, as well as more subtle issues such as payments for the full period of service, clear notification of authorization and termination, swift resolution of payment errors, and how easy or hard it is to work with the agency. Several of these issues are addressed by the newly reauthorized CCDF. (Appendix A provides a more in-depth discussion of key considerations for states working to improve their policies and practices to better support providers.)

Finally, although further investigation is needed, our research suggests that the impact of state choices about CCDF policies and practices is not the same for every provider. Providers with access to private-paying parents or other funding sources can cushion the impact of challenging voucher policies by adjusting their participation levels as they like, but providers lacking other options are vulnerable to having voucher policies affect their financial well-being and the quality of care they offer. This suggests that when policymakers aim to support a strong supply of good-quality providers who are willing and able to serve children receiving vouchers, they may need to be particularly aware of the impact of subsidy policies on the providers who are most dependent on vouchers as a revenue source.

Together, these findings underscore the role the latest federal changes to the CCDF can play in addressing these problems and should encourage states to take a deeper look at their provider-related subsidy policies and practices as they implement the new federal requirements. Fully implementing the new requirements, including those that improve provider payment practices and continuity of coverage for families, should help support providers as the cornerstone of the subsidy system and ensure that parents can access the good-quality child care they rely on to advance their careers and help their children thrive.

# Appendix A. Strategies to Improve Provider Payment Policies and Practices

Our earlier report, *Child Care Voucher Programs: Provider Experiences in Five Counties* (Adams, Rohacek, and Snyder 2008), included a more in-depth discussion of provider experiences with the subsidy system and also highlighted several issues related to provider participation in the subsidy system, financial stability, and quality of care. Many of these issues were addressed in the recently reauthorized CCDF and related regulations. The report also included specific steps that may be useful for states to consider as they reexamine their policies and practices in response to the changes at the federal level. Below, we summarize some of those policy strategies and highlight how they were realized in the reauthorized CCDF or updated regulations. For a more complete discussion of these ideas, see the original report.

## **Match Payment Rates and Policies to the Private-Paying Market**

We suggested that states ensure maximum payment rates reflect federal guidelines and are based on a current market rate survey, pay for absent days, and identify mechanisms to help providers collect parent fees and copayments. The revised law requires states to evaluate market rates every three years and to demonstrate that their subsidy payment rates are based on the most recent market rate survey or alternative methodology. The revised regulations reinforce those requirements and emphasize that payment rates should reflect current market conditions. The regulations also instruct states to delink payments from occasional absences to the extent practicable.

## **Minimize Revenue Loss Caused by Changes in Eligibility or Authorization Status**

The revised CCDF regulations require states to ensure child care providers receive prompt notice of changes in family eligibility status that can affect payment. The regulations also reduce the number and types of changes to the subsidy that can occur within a family's 12-month authorization period. Within that period, states cannot increase copayment amounts, must continue assistance during temporary breaks in work or other authorized activities, and cannot terminate assistance until family income rises

above 85 percent of the state median income. Previously, we offered several strategies related to these issues:

- Improve the notification process through steps such as establishing an automated mechanism to give providers access to information about client authorization and eligibility status without having to talk to a caseworker, calling providers to deliver notice of authorization changes that are effective before written notice can be received, fine-tuning systems for mailed notifications so that notifications are more likely to be received and understood, and offering technical assistance to help providers understand, track, and manage voucher information.
- Minimize risks to providers while a family's eligibility is first being determined by expediting approval, exploring options for paying providers for services delivered while an eligible family's application is pending (e.g., through presumptive eligibility or backdating the authorization to the application date), and ensuring better communication between Temporary Assistance for Needy Families staff and child care caseworkers See Adams and Matthews (2013) for strategies to simplify the enrollment and authorization process for parents.
- Minimize risks to providers from interim changes in authorization status by only adjusting vouchers with major changes in parental status or at redetermination, creating broad authorization categories to minimize the need for interim changes, and not reducing payments until providers have been notified.
- Minimize risks to providers when families' vouchers are terminated by providing advance notice of redetermination timelines, and not making termination effective until providers have been notified.

## Improve Payment Timing

The new law requires states to explain how they will ensure timely payment, and the regulations specify they can do this by paying child care providers prospectively or within 21 days of receiving a complete invoice. Our earlier work offered the following strategies to improve payment timing:

- Reduce delays in initial payment by simplifying enrollment rules and streamlining authorization procedures to expedite eligibility determinations (Adams and Matthews 2013).
- Improve timing of ongoing payments by simplifying and streamlining attendance reporting and implementing other strategies to issue payments faster.

- Minimize the length of payment delays when there are problems by designating staff to process payments that fall out of routine payment procedures, establishing capacity to issue checks more frequently, and itemizing payments to more easily identify the source of payment disputes.

## **Improve the Provider-Agency Relationship**

The new CCDF rules include some provisions that can improve provider experiences and reduce the burden providers sometimes experience in working with voucher agencies, including provisions requiring timely appeal and resolution processes for payment inaccuracies and disputes. We previously suggested the following strategies:

- Stress cross-agency coordination when multiple agencies serve a single community.
- Ensure the inevitable gaps associated with a local subsidy agency's chosen staffing approach are understood and addressed.
- Simplify and improve how providers contact agency staff by evaluating provider satisfaction, providing incentives for good customer service, establishing systems to help providers contact the right staff, exploring options to reduce the number of questions providers must pose to caseworkers, and assessing caseworker attitudes toward providers.
- Simplify the steps providers must take when they are initially approved to receive payments.
- Simplify paperwork to reduce payment errors and delays and ease administrative and provider burden.

## **Help Providers Deliver Extra Supports**

The new regulatory provisions can also help address some of the costs providers might incur when delivering extra supports to subsidized families. For example, payment rates that take into consideration the cost of higher quality care may help providers address any extra needs that subsidized families may have. To help minimize family turnover, the regulations strengthen requirements for consumer education to help subsidized parents better understand their child care options and choose high-quality child care arrangements. The new consumer education requirements also call on states to provide information to parents and providers about developmental screenings for

children that can help diagnose special needs. We previously suggested several strategies that states could implement in concert with these and other CCDF program changes:

- Limit how often providers are asked to take on caseworker roles (e.g., by helping families complete the redetermination process).
- Help families receiving vouchers better understand their obligations to providers.
- Offer special assistance to families that frequently change their child care arrangements.
- Consider ways to compensate providers for costs associated with meeting extra family needs.
- Make family support services available to providers who serve families with especially challenging circumstances.

# Notes

1. Most states rely primarily on vouchers for their child care assistance programs, although some allocate some CCDF funding to contracts with child care providers.
2. Megan Verlee, “State Subsidy Causes Some Of Colorado's ‘Daycare Deserts,’ Providers Say,” *Colorado Public Radio*, September 30, 2014, <http://www.cpr.org/news/story/state-subsidy-causes-some-colorados-daycare-deserts-providers-say>; Mary Franson, “Raising State Subsidies Won't Fix Deeper Problems with Child-Care System,” *Star Tribune*, April 1, 2016, <http://www.startribune.com/raising-state-subsidies-won-t-fix-deeper-problems-with-child-care-system/374335771/?section=opinion>; David Riley, “Day Cares Frustrated over County Payments,” *Democrat & Chronicle*, August 10, 2015, <http://www.democratandchronicle.com/story/news/2015/08/10/rochester-monroe-county-voice-csea-union-child-care-operators-late-payments/31405071/>.
3. We compared 2004 and 2014 data from tables 1 and 7 from “FY 2004 CCDF Data Tables (Final),” US Department of Health and Human Services, Administration for Children and Families, Office of Child Care, accessed December 12, 2016, <https://www.acf.hhs.gov/occ/resource/ccdf-data-04acf800-final> and “FY 2014 CCDF Data Tables (Final),” US Department of Health and Human Services, Administration for Children and Families, Office of Child Care, accessed December 12, 2016, <http://www.acf.hhs.gov/occ/resource/fy-2014-ccdf-data-tables-final>.
4. Counties were selected to ensure variation across subsidy system characteristics, such as payment rates, the types of agencies administering the CCDF program, agency implementation practices, use of contract funding mechanisms, availability of state prekindergarten programs, and the proportion of subsidized families using different types of care. Counties also differed on stringency of licensing regulations and key demographic characteristics such as population size, income, and poverty rates.
5. The survey sample included 407 child care centers and 534 licensed family child care providers. The survey population was restricted to centers and licensed family child care homes operating at least 40 hours per week, serving children age 5 and under (not yet in school), and funded through parent fees, state child care voucher programs, the Abbot Preschool Program (in Hudson County), and/or General Child Care or State Preschool Funding (in Monterey and San Diego counties). We built the sampling frames from records provided by state licensing agencies and/or local resource and referral agencies. In states that exempted certain centers from licensing, such as faith-based child care centers in Alabama, we supplemented licensing lists with a list of legally exempt centers. To ensure adequate representation of participating and nonparticipating providers in each county, we stratified sampling frames by voucher involvement. We collected data about voucher receipt in the form of subsidy payment records from state or local voucher agencies for the most recently available three-month period. Payment data were matched—using several fields, including license numbers and provider names, addresses, and phone numbers—to the lists of centers and licensed family child care homes from licensing agencies. Each provider in the survey population was assigned to 1 of 20 strata defined by county, type of provider (center or home), and whether or not the provider had received a voucher payment in any of the three months for which we had data. The sample design also incorporated a sequential sampling method that sorted the survey population in each stratum according to certain characteristics to ensure that the samples within strata were more equally balanced on those characteristics. Specifically, when available, we used information such as the number of children at the center, its maximum capacity, the number of nonzero subsidy payments received, and ZIP code as the sorting criteria. The survey was an approximately 45-minute long computer-assisted telephone interview administered to center directors and family child care providers. We also administered an approximately 15-minute telephone interview with one teacher in each center. Across all counties, the response rate for the survey was 82 percent for centers and 87 percent for family child care homes. The response rate among centers in individual counties ranged from 79 to 92 percent. Response rates among family child care providers ranged from 84 to 91 percent.

6. We conducted individual or small group interviews with about 55 respondents and 45 focus groups with approximately 300 total participants. We selected providers for focus groups from the survey sample, which allowed us to group providers by their voucher status. We usually held separate focus groups for providers who were heavily reliant on clients receiving vouchers, somewhat reliant, had previously cared for children using vouchers, and those who had never served children using vouchers.
7. Although the survey results presented here can be generalized to the population of centers meeting the sampling criteria in each county, there was a relatively large amount of statistical uncertainty around some estimates, shown in figures by the error bars. Similar uncertainty exists, but is not reported, for the point estimates presented throughout the narrative.
8. The difference between centers and homes was not statistically significant at the  $p < 0.10$  level.
9. Because this was an exploratory study with a goal of understanding the full range of possible differences within and across counties, we use a threshold of  $p < 0.10$  for tests for significant differences. Compared with the more typically used thresholds of  $p < 0.05$  or  $p < 0.01$ ,  $p < 0.10$  reduces the risk of not finding difference when it actually exists in the population. This standard for significance does, however, increase the risk of finding a difference observed in the sample to be statistically significant when it does not in fact exist in the population. Survey responses were weighted to account for the probability of selection into the sample and for survey (instrument) nonresponse. We conducted analysis through Stata's survey commands, which incorporated information about the sample design (including weights, stratification, and a finite population correction factor) into the calculation of point estimates, standard errors, and related confidence intervals and tests for significant differences.
10. See note 8.
11. See note 9. Results are based on analysis of variance tests of differences across groups of providers with different levels of voucher program participation.
12. Beliefs about childrearing were assessed using a short form of the Parental Modernity Scale (Schaefer and Edgerton 1985). This scale, designed for parents, is sometimes used to assess child care provider beliefs and assesses strength of respondents' (1) traditional, authoritarian beliefs and (2) progressive, democratic beliefs about childrearing.
13. These findings should be interpreted with caution because of a high level of item nonresponse to this question. Depending on the site, between 7 and 20 percent of center directors did not respond to this question.

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