CHILD CARE SUBSIDY MONTHLY RATES

Washington State Department of
CHILDREN, YOUTH & FAMILIES

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Introduction

House Bill 1391 – 2019-20 directs the Washington State Department of Children, Youth, and Families (DCYF) to evaluate options and propose recommendations related to paying child care subsidy providers a set monthly rate, rather than the current practice of paying a daily rate.

In 2014, the U.S. Department of Health and Human Services (HHS) made changes under the reauthorization of the Child Care Development Fund block grant to reaffirm their priorities of providing equal access to stable, high-quality child care for low-income children and to better support the child care workforce.[1] To accomplish these goals, the Administration of Children and Families (ACF) requires states to de-link provider payments from attendance to the extent practicable and encourages state agencies to pay based on the child's enrollment in care.[2]

This report evaluates cost-effective options to simplify the current subsidy rate structure through an approach that maintains access to care for our most vulnerable families, promotes the goals of kindergarten readiness and racial equity, and simplifies provider participation in child care subsidy programs.

Background

Daily Child Care Authorizations – Current State

Authorizations for child care subsidies, defined in Washington Administrative Code 110-15-0190, provide daily units of subsidies for the hours of child care needed based on the parent's or guardian's schedule. Currently, DCYF authorizes 23 full-day units for licensed family homes and centers when parents or caretakers need at least 110 hours a month (full-time care is defined as 23 full-days when care is expected to be five or more hours a day) for work or participation in approved activities and transportation. DCYF authorizes 30 half-day units when a child needs care for less than five hours a day.[3]

Authorizations for 23 full days allow providers sufficient units for the number of billable days in every month of the year. Authorizations of 30 half-day units provide additional units to cover days where care is needed beyond five hours. However, this approach places the burden to correctly calculate and bill the appropriate number of units for each month on the child care provider. Providers must take the necessary time and care to calculate the number of units that may be billed for child care subsidies to avoid overbilling for care, which could result in audit findings and overpayments. Providers continually express frustration with the current authorization schedule and resulting overpayments and have shared that this contributes to decisions to stop accepting families utilizing subsidy payments for child care.

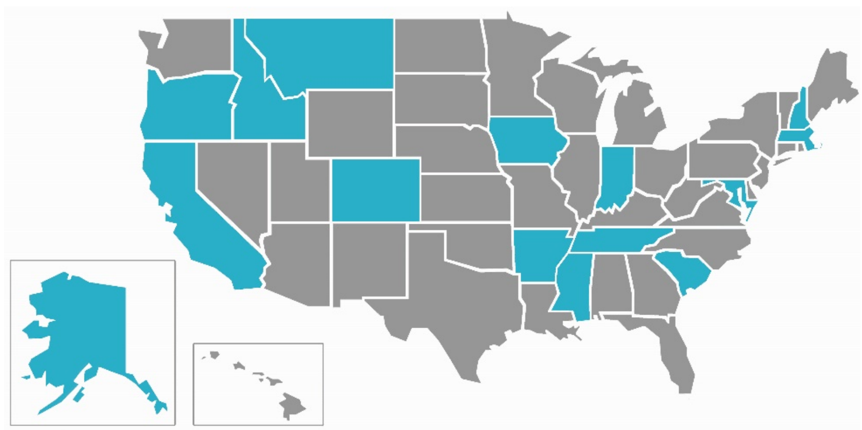
The Child Care Market Rate Survey calculates monthly rates for child care providers in Washington State based on the average of 22 working days in the month, reflecting the predominant private pay billing model. DCYF believes alignment with the private pay market would improve recruitment and retention of licensed providers who accept child care subsidies. Monthly rates also reduce provider billing errors and promote continuity of funding.

[1] Child Care and Development Fund Final Rule Frequently Asked Questions
[2] Child Care and Development Fund Final Rule: Equal Access Provisions (PDF)
[3] License exempt family, friend and neighbor providers receive authorizations for monthly hours of care and are not included in the scope of this report.

Monthly Rates Adopted by Neighboring States

Oregon, Idaho and Alaska have successfully implemented monthly rate structures for child care subsidies. Alaska's PASS (Parent's Achieving Self Sufficiency), Oregon's ERDC (Employment-Related Day Care) and Idaho's ICCP (Idaho Child Care Program) are all programs within the federal Region X, Washington's federal region, that have successfully shifted to a monthly rate structure. Nationally, 15 states report using monthly rates in their CCDF state plan, typically in the form of vouchers for full-time care. Adopting monthly payment rates would represent a more standardized approach within the federal region. The experience in these neighboring states provides a framework for Washington to identify and implement established best practices for a monthly model.

Table 1: States with Monthly Child Care Subsidy Rates



Oregon uses monthly units and hourly rates depending on the circumstances of each case. Oregon authorizes hourly rates when the consumer participates below the part-time threshold. The state authorizes monthly rates when the consumer's participation in approved activities is at or over that threshold. Oregon addresses overtime by applying a formula-based percentage rate increase to the maximum monthly rate authorized.[4]

Alaska allows a combination of daily or monthly units depending on the circumstances of the case, with established maximums for authorizations. Alaska limits additional care to a full monthly unit and a partial monthly unit. Multiple providers authorized for the same child are limited to daily units.[5]

Idaho authorizes full-time monthly rates and does not allow for overtime or splitting authorizations between multiple providers.[6]

Considerations for Implementing Monthly Rates

A monthly rate structure greatly reduces the opportunity for billing errors and overpayments. Additionally, monthly rates significantly simplify the administrative burden on providers associated with subsidy billing, allowing providers to focus more time and energy on the children they care for. Because of the variability of caregiver's schedules and other factors outlined below, DCYF recommends a mixed model of monthly rates authorized for most care while continuing to authorize daily units in certain limited situations. DCYF proposes to calculate monthly rates based on the rounded average of 22 working days per month (5 days a week x 52 weeks / 12 months = 21.67 working days).

[4] Child Care Provider Guide (PDF)
[5] Child Care Assistance Program Policies and Procedures (PDF)
[6] Idaho Child Care Program Local Market Rates (PDF), Idaho Final State Plan CCDF FY2019-2021 (PDF)

- 110 Hour Rule – DCYF establishes authorizations for daily units of care based on a family's participation in an approved activity at the time of application. DCYF authorizes full-time care for parents or guardians participating in at least 110 hours of an approved activity, and part-time care for fewer hours. DCYF does not decrease a family's authorization due to a decrease in approvable hours, per our federal regulations. DCYF will only increase a family's authorization during the certification period.
- Overtime – With a monthly rate, the cost of occasional overtime care is already considered in the model. The variance in the number of hours of care provided in a given day is intended to even out over a month. A full-time monthly slot would be sufficient to cover most day-to-day variances. While the majority of overtime care would be eliminated under a monthly model, some circumstances would still warrant an increased amount of subsidy payment above a full-time slot. Examples of this include overnight care and full-time care needed for six or seven days per week.
- Proration – If a child changes child care locations mid-month, paying both locations a full monthly rate would be an unnecessary excess of expenditure. The Social Service Payment System (SSPS) prorates a monthly rate based on the effective date of the authorization termination.
- Tiered Reimbursement (TR) – TR provides additional payment to a provider based on their Early Achievers level and provider type. TR payments would continue with the reimbursement calculated on the monthly rate payment.
- Multiple Providers – Multiple providers may be authorized at the parent's request when a parent's schedule doesn't align with their primary provider's business hours or even for backup care. To maintain cost neutrality and program integrity, children served by multiple providers should not be authorized for monthly rates. Daily units of care equal to full time or part-time could continue to be used in multiple provider situations.

Monthly Rates Test Case in Washington

Partial Day Monthly Rate for School-Age Children in Family Home Care

Family Home Child Care Providers, represented by Service Employees International Union (SEIU) 925, prevailed in an arbitration award[7] in the 2019-21 collective bargaining agreement, granting payment of partial day rates at 75% of the full day rate for school-age children in licensed family homes who leave the home to attend school.[8]

DCYF explored approaches to authorize care for partial days that would meet the requirements, reduce overbilling and increase access for families. DCYF analyzed all half-day care units paid for school-age care. This analysis revealed that the average number of half-day units paid for school-age care was identical to the average authorization for the school year. In other words, on average, school-age providers billed for as many days as the families were authorized to receive care, regardless of the number of workdays in a month.

An additional partial-day rate increased the complexity of subsidy authorizations for providers, dramatically increasing the likelihood of overbilling and provider overpayments. Given this, DCYF implemented a monthly rate structure to mitigate overbilling while providing income stability for providers and incentivizing care for before and after school for licensed family homes.

[7] Interest Arbitration (PDF)
[8] SEIU Collective Bargaining Unit (PDF)

Monthly rates also provide:

- Transparency of subsidy rates.
- Simplification of claiming process.
- Better financial planning for providers.
- Reduced risk of overpayments.
- Simplification of authorizations and reduction of over-authorization.

With these benefits in mind, DCYF chose to test monthly rates by implementing a partial day monthly rate for licensed family home providers who served school-aged children before and after school. DCYF developed the partial day monthly rate by determining the average number of allowable partial and full days during the school year and average allowable full days during summer months of July and August. This methodology results in consistent funding for providers and greatly reduces the opportunity for incorrect billing. In September 2019, DCYF converted half-day school-age authorizations in licensed family care settings to monthly authorizations for families who meet the requirement for full-time care and were authorized for care with a single provider.[9]

Months of Authorized and Paid Care Averaged Over Care Paid During the September Through June School Year			
Average of full and half day care units authorized and paid daily rate structure		Full and half days rates represented in the monthly rate structure	
Units	Description	Units	Description
23	23 half days plus contingency units = 23 partial days	17	Partial days
7	Half days without contingency units	10	Half days – for an average of five full days of care needed for holidays and school closures
30	30 total half days authorized and paid	1	Monthly rate
20.75	**Full day equivalent (23 x .75) + (7 x .50) = 20.75**	**17.75**	**Full day equivalent (17 x .75) + (10 x .5) = 17.75**

Alternate Approaches Considered

DCYF Considered the Following Alternatives

Monthly Rates for Full-Time Care Only

Authorizing monthly rates for only full-time care results in rate simplification and continuity of funding for full-time care but fails to address the same billing problems that exist with part-time care. Considering that school-age children are only authorized for half day care during the school year for licensed centers, this model fails to address a significant portion of the care authorized.

[9] Parents or guardians who engage in work or another approved activity for at least 110 hours a month are eligible for full time care.

Monthly Contracted Slots for Drop-In Care

Authorizing or contracting monthly slots to providers who provide child care regularly was explored by DCYF. While this approach provides flexibility to providers, this model increases costs based on the family need. Increased costs include paying for days that are not used under contract and the additional authorizations needed for families using multiple providers. This approach also results in a higher administrative burden for families, providers and DCYF staff to adjust drops in authorizations as the needs of the family change, and therefore would not address the overbilling problems we see today.

Vouchers

This model offers a monthly voucher based on family need and eligibility, similar to programs in South Carolina and Maryland. Families are responsible for any difference in child care costs between the value of the voucher and the provider's private rates. This approach results in additional costs to families, beyond the copay, to access care from approximately 45% of the child care providers in Washington. This would leave families with the lowest income unable to access the same providers as those with higher incomes.[10] The approach fails to support equitable access for vulnerable populations and does little to move Washington toward achieving the goal of 90% kindergarten readiness and racial equity.

Recommended Monthly Rate Structure

DCYF recommends implementing a monthly rate for children attending licensed centers and licensed family homes for children needing full-day and half-day care based on the chart below.

Current rules for absent days, holidays or fees such as non-standard bonus hours for evening and weekend care would remain in place. DCYF would calculate monthly rates on the current regional structure and age ranges for daily rates. The monthly rate would be prorated in the month that care is first authorized and when authorization for a child is transferred from one provider to another.

Monthly Units by Provider Type		
Care Needed	Provider Type	
	Center	Family Home
Full-Time 5 – 10 hours a day	Monthly unit = 22 full day units	Monthly unit = 22 full day units
Full-Time School Age Less than five hours a day during school year with a break in care to attend school	School year monthly unit = 17 half-day units and 5 full day units July and August monthly unit = 22 full day units	School year monthly unit = 17 partial* days and 5 full day units July and August monthly unit = 22 full days units
Half-Day Care Less than five hours a day	Monthly unit = 22 half-day units	Monthly unit = 22 half-day units
**Partial day rates equal to 75% of a full day unit were awarded to licensed family homes in the 2019-21 Collective Bargaining Agreement arbitration award for before and after school split day care.*		

[10] Washington's licensed child care subsidy rates were pegged to the 55th percentile of the priced child care market effective July 2019.

DCYF would continue to authorize full-day or half-day units to licensed center and licensed family home providers to:

- Supplement monthly units, such as when a caregiver works overtime.
- Authorize care when a child receives care from multiple providers or when care is needed for less than five hours a week.

Cost Neutrality

When DCYF decided to test monthly rates for school-aged care in family homes, the agency anticipated that no additional costs would be incurred. Based on SFY 2019 Child Care Subsidy Program (CCSP) payment data, authorizing full day and part-day monthly units based on 22 days in a month for qualifying care would not increase CCSP expenditures as the average paid days per child would be reduced to 22 days per month for most children. Shifting to primarily monthly rates could be accomplished within current forecasted CCSP expenditures.

In SFY 2019, licensed providers billed an average of 22.4 half-days per month and 23 full-days per month. Calculating monthly rates on the annual average of 22 billable days eliminates overbilling for care provided while providing consistent payment without providers needing to account for months that have fewer than or more than 22 billable days. A portion of the reduction in monthly rate expenditures versus daily rates would be offset by expenditures for families who need additional authorization for overtime or overnight care. Children needing fewer than five hours a week would not be authorized for a monthly half-day unit as an additional measure to maintain cost neutrality.

Conclusion

DCYF proposes to adopt monthly rates for most CCSP care provided by licensed providers. This proposal aligns with practices of the private pay market, simplifies the authorization and billing process, and greatly reduces billing errors that result in overpayments.

By reducing the complexity of the current subsidy authorization and billing process, DCYF expects that monthly rates will encourage more licensed providers to accept children receiving subsidy and to participate in Early Achievers. This effort will support kindergarten readiness through continuity of care, stability of funding and greater access to high-quality programming. The effectiveness of monthly rates in reaching these goals will be measured by the number of high-quality licensed providers accepting subsidy and the degree of continuity of care in high-quality settings.