Lessons from Massachusetts’ “dual-mechanism” subsidy delivery system

Learning from mapping and examining local variation
Authors

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Introduction

• Subsidy income-eligible children in MA served via a “dual-mechanism” system
  – Vouchers and contracts

• Voucher holders can use their vouchers with any subsidy-accepting provider
  – Voucher-Only Provider or Contracted Provider

• Dual-mechanism systems not widely studied, but will become more common post-CCDBG reauthorization
Why study dual-mechanism systems?

• Lessons to guide states introducing contracts
  – Understand (im)balance in a mature voucher/contract system and be able to describe local counters
  – Understand more about how voucher holders are making decisions about providers – how is the market shaping decisions?
  – Identify downstream effects of using contracts to bolster supply
Why study dual-mechanism systems?

- Relevant to broader policy discussions about dual (i.e. “choice/provision”) systems
  - Housing choice vouchers vs. public housing units
  - School choice vouchers vs. public or charter schools
Four Research Questions

1. **Capacity**: How does the licensed capacity of contracted providers vs. voucher-only providers vary locally?

2. **Usage**: How does the share of subsidized children that use contracted vs. voucher-only providers vary locally?
   
   → With an in-depth look at the share of voucher holders using contracted providers
Four Research Questions

3. What’s the connection between capacity and usage?
   – Are voucher holders more likely to use contracted providers in local markets with greater contracted provider presence?

4. What’s the connection between capacity, usage, and local need?
   – Do local markets with greater contracted provider presence have lower unmet need?
Data and Methods

• Massachusetts CCDF administrative data (Dec 2014)
  – Data harmonized from three different data modules: provider/licensing, billing/placement, family

• American Community Survey (2010-14)

• U.S. Census TIGER LINE boundary files (2014)

• Geocoded children and providers to town-level for 9,696 providers; 31,731 income-eligible, subsidy-participating children
Capacity:
How does the capacity of contracted vs. voucher-only providers vary locally?
Statewide, capacity in the subsidy system is balanced between contracted providers and voucher-only providers.
Location of all **subsidy** providers

- Greenfield
- Pittsfield
- Worcester
- Fitchburg
- Lawrence
- Springfield
- Boston
- Quincy
- New Bedford
- Hyannis
Location of all **contracted** providers
Location of all **voucher-only** providers
Clustering Patterns by Provider Type

Nearest Neighbor Ratio by Provider Type

Closer to zero = more clustered

p<0.01 for all NNRs
Share of subsidy provider capacity held by contracted providers

% of subsidy-provider licensed capacity held by contracted providers

- 0.0% - 40.0% (MORE HELD BY VOUCHER-ONLY)
- 40.1% - 60.0% (BALANCED)
- 60.1% - 100.0% (MORE HELD BY CONTRACTED)
- Null (no subsidy providers or contracted providers)

CCRR Region Boundary
Usage patterns:
How does the share of subsidized children that use contracted vs. voucher-only providers vary locally?

➔ With an in-depth look at the share of voucher holders using contracted providers
Statewide usage patterns: A not-so-dual mechanism system?

- 50% of children under 6 are served by vouchers
- 50% served by contracted slot

...BUT

- 70% of income-eligible children under 6 are served by contracted providers

N=19,567

...because 40% of voucher kids use their subsidy with a contracted provider
Using a contracted vs. a voucher-only provider: Different considerations

- Provider Quality
- Stability patterns
- Concentration of subsidized children
Share of **all subsidized children** served by contracted providers

% subsidized children under 6 with contracted provider

- 0.0% - 40.0% (MORE WITH VOUCHER-ONLY)
- 40.1% - 60.0% (BALANCED)
- 60.1% - 100.0% (MORE WITH CONTRACTED)
- Null (no subsidized children)
Share of **voucher children** served by contracted providers

% voucher children under 6 with contracted provider

- 0.0% - 40.0% (MORE WITH VOUCHER-ONLY)
- 40.1% - 60.0%
- 60.1% - 100.0% (MORE WITH CONTRACTED)
- Null (no subsized children)

CCRR Region Boundary
Share served by contracted providers

MAP 1: **ALL SUBSIDIZED CHILDREN**

MAP 2: **VOUCHER CHILDREN**

% children under 6 with contracted provider

- 0.0% - 40.0% (MORE WITH VOUCHER-ONLY)
- 40.1% - 60.0%
- 60.1% - 100.0% (MORE WITH CONTRACTED)
- Null (no subsidized or voucher children)

r=0.75; p<0.05; n=276
Capacity and Usage:
Are voucher holders more likely to use contracted providers in local markets with greater contracted provider presence?
Capacity vs. Usage (Voucher Children)

**MAP 1 (CAPACITY)**

% of subsidy-provider capacity held by contracted providers

- 0.0% - 40.0% (MORE HELD BY VOUCHER-ONLY)
- 40.1% - 60.0% (BALANCED)
- 60.1% - 100.0% (MORE HELD BY CONTRACTED)
- Null (no subsidy providers or contracted providers)

**MAP 2 (USAGE)**

% of voucher children under 6 with contracted provider

- 0.0% - 40.0% (MORE WITH VOUCHER-ONLY)
- 40.1% - 60.0%
- 60.1% - 100.0% (MORE WITH CONTRACTED)
- Null (no subsized children)

r = 0.41; p < 0.05; n = 246
Contracted Provider Presence vs. Met Need

**MAP 1 (CAPACITY):**
% OF SUBSIDY PROVIDER CAPACITY HELD BY CONTRACTED PROVIDERS

**MAP 2 (MET NEED):**
% OF ESTIMATED INCOME ELIGIBLE CHILDREN UNDER 6 SERVED

% of subsidy-provider licensed capacity held by contracted providers
- 0.0% - 40.0% (MORE HELD BY VOUCHER-ONLY)
- 40.1% - 60.0% (BALANCED)
- 60.1% - 100.0% (MORE HELD BY CONTRACTED)
- Null (no subsidy providers or contracted providers)

% of estimated income-eligible served
- 0.0% - 7.0%
- 7.1% - 14.0%
- 14.1% - 100%
- Null (no estimated eligible children)

r=0.10; p>0.05
Conclusions

• **Capacity**: Statewide, the infrastructure exists for more children to be served by voucher-only providers (i.e. potential for more balance); but most local markets are not balanced.

• **Usage**: Statewide, the potential for balance is wholly unrealized with a large majority of subsidy children being served by contracted providers, especially in large markets.
  ➔ But lots of observed local variation is important.
Conclusions

• **Capacity vs. Usage**: Local markets with more contracted provider presence have higher shares of kids served by contracted providers – driven in part by voucher holders using contracted providers (especially in large markets) → indicates choices are shaped by markets

• **Capacity vs. Usage vs. Local Need**: Cities/towns where more of the local need is met do not necessarily have higher contracted provider presence
Closing Thoughts

- Results offer food for thought for states planning to implement dual-mechanism systems with contracts.

- All income-eligible children, regardless of where they live, have *parity of need* (i.e., their eligibility for and right to benefits is the same), but do not have *parity in their local markets and choice sets*.

- (Hopefully) convincing example of why examining local patterns is crucial.
Thank you!!

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