1. Descriptive Information

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<th>Workshop C-1</th>
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<tr>
<td><strong>Title</strong></td>
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<td>Distributing CC Subsidies through Contracts: Child, Family, and Provider Perspectives</td>
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<td><strong>Description</strong></td>
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<td>The goal of this workshop is to provide researchers and local, state and federal CCDF administrators with an overview of the contract system as a child care subsidy distribution mechanism and to feature the latest research on the benefits and challenges of using contracts, compared to vouchers, from various perspectives.</td>
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<th>Facilitator</th>
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<td>Gina Adams, Urban Institute</td>
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<th>Presenters</th>
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<tr>
<td>Yoonsook Ha, Boston University</td>
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<td>Kate Giapponi, Brandeis University</td>
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<td>Bobbie Webber, Oregon State University</td>
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<td>Meg Soli, Child Trends</td>
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2. Documents in Session Folder (Please list any electronic documents or web links used during the session.)

3. Brief Summary of Presentations

Summary of Presentation #1:

Historical Perspective and Key Implementation Issues
Gina Adams, The Urban Institute

- There is a new focus on contracts with CCDF Reauthorization as a possible mechanism to build supply.
- In the 1980s contracts were the primary form of subsidies. This shifted with the passage of the federal child care legislation in the late 1980s which mandated parental choice. As a result, almost all states now rely primarily on vouchers.
- This session focuses on lessons learned from an “old state” that has used contracts historically, Massachusetts, and a “new state”, Oregon.
- Definition: Contracts are legal agreements between the state and child care provider to make available a certain number of slots to be paid for by the state as long as the terms are met. Payment can be made prior to or after service provision and the rate can be based on negotiation.
- This definition is seemingly straightforward but there is room for a lot of variation...
  - What is the goal of contracts?
  - How are contracts designed to reach these goals?
  - What is the funding approach?
  - How does the state address the tradeoff between targeting funds to achieve goals vs. flexibility needed for parental choice and changing needs? More targeted approaches lead to less parental choice, and vice versa.
  - What is the vision for sustainability? How do contracts fit into the market in the long-term?
  - Administrative issues: Who establishes and monitors parent eligibility? Who monitors compliance? How it is handled when parents leave a slot or lose eligibility? What are the implications for continuity and parental choice?
- Contracts are a new focus and they can address some of major challenges of the system.
- We have a lot to learn about how they function and the design and implementation practices.
- Research on contracts should include a focus on these design and implementation practices to understand and interpret findings and support more effective policies and practices.
Introduction

- Massachusetts Child Care Contract System’s goal is to increase access to higher quality care for CCDF-served children.
  - Massachusetts also sets aside priority contracts for the following subgroups: homeless families, teen parents, and those families receiving services from the Department of Children and Families.
- Background: In 1997, the state’s child welfare office and public assistance office transferred its child care contracts to the Office of Child Care Services (now, the Department of Early Education and Care). Today, the contract period is 3-5 years. Slots are defined by child age in centers (infant, toddler, preschooler, and school-aged) and family child care systems (under age two and over age two). The state has created a flex pool to accommodate children aging out of one slot and into another (e.g. out of an infant slot and into a preschooler slot). Providers can use flex slots for up to 5% of their slot caseload. Flex slots are intended to be temporary.
- Provider Responsibilities: Providers must conduct families’ eligibility assessments and reassessments. This includes assessments for families with contracted slots at their program and families using income eligible vouchers at their program (if the provider chooses to accept vouchers in addition to having slots). They have to participate in the Massachusetts QRIS, conduct child assessments, refer families to additional child and family services, and hold parent conferences. All of these responsibilities are unfunded.

Mixed Methods Study

- Data sources: 7 Massachusetts administrative data sources and semi-structured phone interviews.
- Administrative Data: The majority of the providers who contract with the state for subsidized slots also participate in the voucher system. The majority of providers who participate in the contracts system are members of larger umbrella organizations or family child care systems, which may offer administrative overhead support. However, contracted providers are smaller on average compared to voucher-only providers, based on licensed capacity (number of children a provider is licensed to serve). Providers participating in both the contracts and voucher systems tend to be accredited more than voucher-only providers. The rate gap (difference between a provider’s private pay price and the subsidy reimbursement rate) is greater for voucher-only programs compared to providers who participate in contracts, suggesting that higher priced providers may prefer vouchers to contracts.
- Benefits of Contracts:
  - Stable source of funding that helps providers plan budgets, procure loans, and confidently hire/maintain staff
  - Meet different needs for different families (through priority contracts)
  - Ensure families are reassessed on-time (steady stream of revenue)
  - Maximize service to low-income families
- Disadvantages of Contracts:
  - Unfunded administrative burden including:
    - Eligibility assessments/reassessments and paperwork
    - Expensive financial audits
    - Child assessments (particularly challenging for family child care providers)
  - Low subsidy reimbursement rates and loss of potential revenue
  - Lack of flexibility with child slots defined by age
    - Forecasting and managing when children will age up into new slots is challenging
    - The flex pool is not large enough to handle the aging up process
    - Providers deal with the tradeoff between revenue and continuity of care when considering whether to hold a slot open (and unfunded) until a child ages into it.
  - Views on procurement: Providers perceive that contracts favor bigger providers and those who have been in business a longer time (which contradicts the administrative data). The state may have an
opportunity to contract from a bigger pool of different types of providers if they disbelieve these rumors before their next procurement cycle.

Summary of Presentation #3:

*Delivering Child Care Subsidies through Contracts: The Family Perspective*

**Yoonsook Ha, Brandeis University**

**Purpose**
- This study explores where contracted providers are located statewide in MA and how this supply of contracted providers meets the demand of child care among low-income children
- The study also documents child care characteristics of children using contracted slots compared to vouchers
- The study examines variations in the stability of child care subsidy receipt and child care arrangements between children using contracted slots and children using vouchers

**Study**
- Three sources of data, the MA CCDF administrative data, the MA licensed provider database, and census data were merged and analyzed.
- We used GIS to document distribution of contracted providers in the state
- Spell analysis was conducted to examine the length of subsidy receipt and changes in care arrangement
- Sample included 9,531 income-eligible children, excluding TANF and DCF cases, who began receiving subsidies in 2012.
- Spells were measured in months and followed up to 24 months.

**Findings**
- Contracted providers are more concentrated in high demand areas and likely to reduce the number of subsidy-eligible children per providers in those areas.
- Contracted slots serve more infants and toddlers, compared to voucher providers, and are used more by family child care.
- Overall, children in contracted slots have a fewer number of subsidy receipt spells, fewer number of providers, and longer spells during the time period.
- However, looking at this by child age shows a different picture. Younger children (<3 years old) using contracted slots have shorter spells and preschool-aged children have longer spells. There is not much variation in these factors looking at family child care versus centers.

**Thoughts and Discussion**
- Combine vouchers and contracts to balance between the demand of child care and stability of subsidy use and care across all age groups to meet their specific needs.
- Address barriers to continuous use of subsidies: how to reconcile parent choice on care; respond different needs of care by child age; structural barriers, e.g., policy rules of contract systems, needs to be considered and relieved to improve the consistency of care.
- Consider establishing a higher reimbursement rate that can cover administrative costs associated with contracts
- Consider how slots are structured by age and the administrative complexities associated with this structure

Summary of Presentation #4:

*Oregon Contracted Slots Pilot Program Evaluation: Assessing an Investment in Continuity and Quality*

**Bobbie Weber**
Goals of Oregon Pilot: Continuous care for children, support for employment for parents, stable funding for providers.

Pilot design: Programs had to have documented quality (Head Start/EHS, or an Oregon Program of Quality (precursor QRIS)), children had 12 month protected eligibility, families had reduced copay, and providers were paid for 60 days after child exit.

Evaluation Study
- Administrative data, surveys of directors, in-depth interviews with stakeholders
- Research Questions
  - Who participated in the Contracted Slots Pilot Program?
  - To what extent did the Contracted Slots Pilot Program achieve its goals?
  - What challenges emerged as the Pilot program was implemented?
- Findings
  - Contracted children stayed 12 months or more with the same provider compared to non-participants who stayed 6 months.
  - Contracted children spent less time (hours per month) in programs, but still received high dosage.
  - Most children exited at the end of the period (84%). Other reasons for exiting care included family move, loss of employment, and child’s entry into kindergarten. Operationalization of protected eligibility was more complicated than expected. Contracted parents worked more than non-participating parents and they had more job changes.
  - Contracted providers reported positive impacts of financial stability.
  - Challenges: Merging agencies, operationalizing protected eligibility and parent choice, targeting of high-need children, families, and communities by contracted providers, monitoring compliance (e.g., high quality programs still had compliance issues), contracting and procurement processes, and identifying data needs and data collection processes.
- Key Thoughts
  - Think broadly and holistically about how to reach and serve targeted populations as it is not likely that a single program or strategy can meet goals and that the likelihood of goal achievement increases when programs and strategies are aligned.
  - Reach consensus about how to operationalize protected eligibility
  - Articulated charged understanding of parent choice
  - Reach consensus on targeting families, programs and communities. Learned that having a high quality rating is not enough.
  - Clarify monitoring policies and practices—both licensing and QRIS standards are relevant

4. Brief Summary of Discussion

- Why would slots be unused?
  Being located in higher income neighborhoods might prevent programs from being able to use all of their contracted slots. Programs not able to reach or work with those receiving a subsidy.

- Were risk indicators or weights applied to programs that were not eligible to participate? (Presentation #4)
  We developed a risk weighting system that outlines what happens and who needs to talk to who. If you’re going to take a contract away there are negative impacts on families. We have a whole process and it’s been a wonderful for QRIS. We were naïve that high quality programs wouldn’t have compliance issues and that’s not true.

- What is the financial audit about? (Presentation #2)
  Any human/social services organization that contracts with the state of Massachusetts (e.g. state’s child welfare office, state’s juvenile delinquency office, state’s child care office) is required to submit audited financial statements. This requirement is dictated by the state’s Operational Services Division (OSD).
• **How would a family end up in the study/pilot?**
  Oregon: Families who met the criteria were eligible. They could choose provider before or after qualifying. The provider could recruit subsidy parents into a contracted slot. After a period of caution from DHS, the R&Rs also let people know of the availability of a contracted slot.
  MA: In MA, there is a subsidy waitlist. Income eligible parents are motivated to use/maintain their contracted slot because otherwise they will have to reapply and be moved to the end of the waitlist. This is an issue for parent choice because parents may have a provider they want to use that isn’t the contracted provider they were offered. Contracted slots are refilled on a one-to-one basis. Therefore, if a child leaves a contracted slot, a provider can pull the next person off of the wait list to fill that slot. In contrast, there is a frozen intake process for vouchers. Periodically, the state will open access to vouchers in batches and then close access when the vouchers have been filled. Financial management of these two caseload accounts (vouchers and contracts) is complicated.

• **Were you able to capture parents’ experiences of vouchers vs. contractors (MA)?**
  No, we didn’t collect this data yet. We will be conducting family interviews in 2016. In Oregon, there were very positive anecdotes from families who couldn’t believe it was true and felt so lucky.

5. **Summary of Key issues raised** (facilitators are encouraged to spend the last 3-5 minutes of workshops summarizing the key issues raised during the session; bullets below are prompts for capturing the kinds of issues we’re looking for)

This session focused on the distribution of child care subsidies through contracts. The speakers presented on the child, family, and provider perspectives of contracted slots versus vouchers in Massachusetts, a state that has historically used contracts, and in Oregon, a state that piloted a contracted slots program designed to meet specific goals of quality, continuity, and financial stability. The findings of the studies showed that subsidy spells with contracted slots are longer than with vouchers. Interestingly, in Massachusetts this effect was different based on child age; children under the age of three had shorter spells and preschool-aged children had longer spells. In Oregon, parents generally had positive reactions to contracts and there was consensus around the need for more research at the family-level to fully understand their perceptions. Child care providers in both states cited that a benefit of contracts is that they are a source of stable funding; however in Massachusetts providers cited that unfunded administrative burden associated with contracts including eligibility assessments are problematic. Overall, the presenters explained the importance of thinking holistically about subsidies and the need to address barriers in the system, particularly as they relate to the complexities of subsidy structure (e.g. defining slots by child age) and parent choice.