

D2: Issues in Quality-Driven Early Care and Education Financing and Cost Analysis

Thursday, February 8, 2018

10:15 a.m. – 11:30 a.m. | *Washington II*

1. Descriptive Information

D2: Issues in Quality-Driven Early Care and Education Financing and Cost Analysis

This session will address key issues in improving the accuracy of estimates informing policymakers about the cost, quality, accessibility and financing of early care and education (ECE). While there have been great advances in the estimation of the cost of high quality ECE in recent years, there are significant unresolved issues. Presenters will draw on past and recent research, including the Office of Planning, Research and Evaluation's *Assessing the Implementation and Cost of High Quality ECE* (ECE-ICHQ) project, bringing together concepts and research from public finance, economics and program evaluation. Presenters will initiate a discussion about key challenges and needs for further empirical and conceptual research in this area, to promote a deeper understanding among session participants of the relationships among ECE quality, cost, access and financing structures and the application in both research and policy contexts.

Panelists

Rick Brandon, RBN Consulting | *Setting the Stage: Tools, Frameworks, and Issues in the Analysis of Center- and Home-Based ECE Costs and Financing; Accessibility Considerations*

Lynn Karoly, RAND Corporation | *Accounting for the Cost of Quality in ECE from Provider and System Perspectives and Implications for Financing*

Andrew Burwick, Mathematica Policy Research | *Developing Tools to Measure the Implementation and Cost of Center-Based Care: The ECE-ICHQ Approach*

Scribe

Sarah Kowiak, ICF

2. Documents Available on Website

- a. Brief on Market Rate Surveys and Alternate Methods of Data Collection and Analysis

3. Brief Summary of Presentations

- **Summary of Presentation #1: *Setting the Stage: Tools, Frameworks, and Issues in the Analysis of Center- and Home-Based ECE Costs and Financing; Accessibility Considerations***
 - ECE cost calculators: there is not a single, best calculator. Appropriate structure and format depends on how sophisticated the users are.
 - Key issues are units and geographic flexibility. You have to consider variables like free-standing centers, multi-service centers, etc.
 - Calculators should encompass the entire system and decisions need to be made on the output and how finely to break down the output; static vs. dynamic estimates
 - Approaches for how to estimate care in a high-quality system. What are the ingredients?
 - What is "affordability?" Current 7% Federal standard – based on tautology and incorrect data. Assumes that people are spending what they can currently afford; actual utilization data shows underutilization by middle income families, causes tautology to fail. Data includes (a) school-aged children and (b) zero-pay households such as those served by Head Start – results in apparent average payment as a share of income lower than what families at each income level actually pay. 7% number flawed: too high for low income people and too low for upper income people.
 - Averages of costs and financial assistance amounts don't tell you how much a low income family can really afford to pay.

- How do you cost-out high-quality services for special needs children? There is a significant number of special needs children, and only about half are served. No clear standards on what are high quality service parameters for special needs children.
 - Sliding scale could be used to show what the drop off point is for when families are paying too much and drop out of care.
 - Elasticity needs to be re-examined for costs of care and how parents respond to utilization.
 - What kind of tool can states use to determine the correct percents? There is an issue with a single elasticity estimate across the whole population. Need different elasticity for each age of child and family income group.
 - Elements of cost calculators: 1) essential to have flexibility of being able to change key factors, update data; 2) the process is as important as the calculator.
 - There is a need to build a cost calculator in a way that allows variation of multiple scenarios. We need to invest in people being able to use the calculators.
- **Summary of Presentation #2: *Accounting for the Cost of Quality in ECE from Provider and System Perspectives and Implications for Financing***
 - What mechanisms are used to pay for the cost of ECE?
 - Accounting for cost of quality, infrastructure, and broader implications.
 - Capturing price does not necessarily capture costs, costs may be cross-subsidized across age groups at the provider level.
 - Moving from price-based reimbursement to cost-of-quality-based reimbursements requires use of different strategies to account for the cost of quality
 - Cost surveys are more expensive to collect and place a higher burden on providers; we may be able to benchmark using smaller cost surveys
 - Can allow reimbursement rates to vary by indicators of quality (e.g., QRIS)
 - Can also use direct contracts with providers that are based on cost structure
 - Examples of where these different approaches are used in states and cities with preK programs
 - Certain reimbursement methods work better in certain settings since underlying models of cost structures vary
 - Example from California: Different reimbursement mechanisms for California providers for delivering Title 5 (standard reimbursement rate that does not vary by geography) vs. AP (market ceiling based on RMR survey). Created a disincentive for Title 5 providers in higher cost counties.
 - Other considerations include how often rates adjust, payment for absent children, braiding/blending
 - Also need to determine how to pay for system-level costs
 - Shifting to cost-based reimbursement would likely require more resources in the system; reimbursement mechanisms matter
 - **Summary of Presentation #3: *Developing Tools to Measure the Implementation and Cost of Center-Based Care: The ECE-ICHQ Approach***
 - Two key functions of what happens in a child care classroom: instruction and care giving.
 - The scope of implementation of activities can be challenging
 - Understanding implications: The state might have access to professional development resources and wouldn't take steps to offer additional resources vs. a small center without that access
 - Data were collected with a spreadsheet-based cost workbook. There was variation among the centers in their ability to provide the data.
 - Implementation side: Did a center receive what type of support and what was the cost of it? Did a center pay out for professional development services? Did they receive an in-kind donation? Goal is to help states think about who they want to bring into the conversation.
 - With the workbooks, there is a push to get better data, not perfect data. We can use default data in some instances and can customize by state; customizing at the program level is more difficult.

4. Brief Summary of Discussion

- a. Was cost data available and was someone at the centers available to provide it? This varied across centers. We also saw differences in the willingness to provide the data. It can be confidential information or something they just don't want to share with us.
- b. Things that measure child outcomes don't always relate to quality measurements.

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

- a. Costs can be difficult to capture and measure in ECE settings. Measures of costs vary and may not consider all factors.