Financing to Support an Accessible High-Quality Early Care and Education System

Moderator
Leigh Bolick, National Center for Data and Reporting

Panelists
Lynn A. Karoly, RAND Corporation
Richard Brandon, RNB Consulting
Kimberly Boller, Mathematica Policy Research
The Case of the Aishwarya Bar
(from “Now I Know” blog)

- Kerala has a population of **33 million people**
- **2014** | Kerala voted into a dry state, withdrawing license from ~ 700 bars
- **2016** | Relaxed laws, allowing bars to open
- Alcohol sales were barred within **500 meters** of a public highway
- Some bars relocated, some closed, but one got **creative**...
They Built a Maze
What Did the State Do?

• The bar was **25 meters** from a highway (80 feet).

• The maze was **520 meters long**. In order to enter the building, a person had to zig zag through the barriers.

• The State **approved** the maze solution and issued a license to the Aishwarya Bar.

• An official stated that they “**do not measure the aerial distance but only the walking distance**”.

• The state did issue the bar a **citation** for building a maze without a permit, which the owner happily paid.
Sometimes it’s a good thing to build a maze.

• State Administrators often find the sands shifting under them – due to changing priorities at state agencies, new state and federal laws, or new state and federal policies.

• Sometimes the solutions are simple, but more often than not they require a creative approach.

• Particularly as it relates to funding early care and education, states often have to thoughtfully “cobble together” resources to get the job done.
Bureaucracy is alive and well.

• All of us have to **work within** some level of bureaucracy.

• At the state level, leaders have to **balance** the needs of children, families, and child care providers, while working within their own agency rules and across many different systems.

• The sheer enormity of the agency rules, and the resulting political implications of policy decisions, makes the working environment very **challenging**.
It is still possible to innovate within the bureaucracy.

• Despite the challenges, innovation is not only possible, it happens every day.

• Often the answer is as simple as finding the right person to ask; many agency staff and policymakers are open to new ideas.

• Data analysis and research are incredibly helpful to states when they are trying to establish new policies or revise programs.
Plenary Participants

• Lynn Karoly, RAND Corporation
  Lynn will discuss an overall framework for cost and financing analysis related to attaining high quality ECE, highlighting key policy questions and areas of required research.

• Richard Brandon, RNB Consulting
  Rick will discuss major issues in designing an effective financing structure that can attain accessible high quality ECE by responding to multiple perspectives, including moving from price-based to cost-based financing and equitable family payments.

• Kimberly Boller, Mathematica Policy Research
  Kimberly will present a conceptual framework for determining the costs of implementing high quality ECE and report findings from Assessing the Implementation and Cost of High Quality Early Care and Education project.

• Moderated Q & A
The discussion continues in a breakout session...

**Issues in Quality-Driven Early Care and Education**

**Financing and Cost Analysis**

Today, 10:15-11:30 a.m. | Washington II

**Richard Brandon**, RNB 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*
NASEM Will Soon Issue a Report on ECE Financing

Ad hoc committee on Financing Early Care and Education with a Highly Qualified Workforce

Committee charge:

"...to prepare a report that would outline a framework for a funding strategy that will provide accessible, affordable, high-quality early care and education for young children from birth to kindergarten entry, including a highly qualified and adequately supported workforce that is consistent with the vision outlined in the 2015 IOM and NRC report Transforming the Workforce .."
View of the ECE system

Federal, state, & local policy environment

ECE delivery

- enrollment
- quality
- cost
- funding profile

Other key stakeholders

- resource & referral agencies
- education & training providers
- employers
- philanthropy

ECE providers

- centers and homes
- public and private
- licensed and license-exempt

Families

- infants and toddlers
- preschoolers

Images via The Noun Project: school by Mike Wirth; house by Hea Poh Lin; toy by Creatica Creative Agency; families by Kid A; building by Brad Goodwin.
View of the ECE system
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ECE providers
• centers and homes
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• licensed and license-exempt

Families
• infants and toddlers
• preschoolers

• revenue raising mechanisms
• funding mechanisms
• system infrastructure (e.g., data)

ECE providers
• centers and homes
• public and private
• licensed and license-exempt

Images via The Noun Project: school by Mike Wirth; house by Hea Poh Lin; toy by Creaticca Creative Agency; families by Kid A; building by Brad Goodwin.
Key issues for financing a high-quality ECE system

Federal, state, & local policy environment

ECE providers

ECE delivery

Other key stakeholders

Families

What are the provider- and system-level cost for high-quality ECE?

Which stakeholders contribute to the cost of high-quality ECE?

What mechanisms are used to pay for the cost of ECE?
What are the provider- and system-level costs for high-quality ECE?

Policy considerations
- What workforce competencies, education, and professional development is needed to achieve high quality?
  - What compensation is required?
  - How do we ensure that the workforce is compensated at that level?
- What other program structural and process features are needed for quality?

Research needs
- Data (experiments) to understand how program features relate to quality
- Provider- and system-level cost calculators
- Measurement tools to capture features of quality, how they are implemented, and their associated cost
Which stakeholders should contribute to the cost of high-quality ECE?

Policy considerations

- What is the appropriate share of funding from each source: families, public sector, employers, others?
  
  o Are there optimal revenue raising sources for the public sector?
  
  o Should public subsidies vary with family income?
  
  o Who bears the cost of employer subsidies for ECE?

Research needs

- Data to understand how responsive families are — in aggregate and for key subgroups — to the price of care and the tradeoffs they make between cost and quality
What reimbursement mechanisms are used to pay for the cost of high-quality ECE?

Policy considerations

- Which are the most efficient funding mechanism(s)?
  - Family-oriented: own pay, tax credits, vouchers
  - Provider-oriented: contracts, grants
  - Workforce-oriented: regular compensation, bonuses, grants

- What are the implications of different mechanisms for ECE workforce and program quality?

Research needs

- Data and analyses to understand relationship between funding mechanism and ECE workforce skills/competencies and program quality
Designing an Effective ECE Financing System Addressing Multiple Perspectives for High Quality

Richard Brandon, RNB Consulting
EFFECTIVE FINANCING STRUCTURE

= ADEQUATE $$ for HIGH QUALITY, ACCESSIBILITY

+ FINANCING MECHANISMS TO DISTRIBUTE $$

- QUALITY-LINKED, EQUITABLE, STABLE
Multiple perspectives – key concerns

- **Providers**: stability, adequacy; cost-based vs. price-based reimbursement

- **Educators**: qualifications and competence; compensation

- **Family**: choice; affordability; siblings

- **System**: supports and controls; assure dollars translate to quality; changes in utilization

- **Hybrid financing**: link family and provider perspectives
Funding Providers: *cost-based vs. price-based*

- **Currently mixed**: Head St, PreK – cost-based; CCDF – price-based

- **Cost-based** builds from ingredients, structural quality standards
  - *Pros*: adequacy, direct funds to desired purposes; stable
  - *Cons*: structural standards not assure process quality; danger of rigid uniformity; cap on spending; how reflect local conditions
  - *Additional challenge*: how apply to home-based?

- **Price-based**: builds on diverse market
  - *Pros*: focus on equity; reflects local market conditions, expectations – “lighthouse” dynamics
  - *Cons*: inadequate if top of market too low or lack of access
Educator Perspective: compensation for quality

- **Linking qualifications to competence** – note challenges in K-12 [lack of correlation; performance evaluation]

- **Challenge of maintaining diversity** if require college degree

- **Increasing edu attainment** of same staff improve quality? Knowledge, skills vs. selection effects

- **Compensation**: current $$ too low, uncertain how much needed. **Perspectives**: pay equity vs. competitive labor market

- **Need experimental data**
Family Perspectives

- **Choice** among program types – no definitive curriculum; non-quality features that are important to families [location, hours]

- **Recognize diversity** of families, circumstances – affects choices and utilization

- **Affordability, equity, work incentives** in designing payment schedules

- Utilization **changes in response** to higher quality, greater financial access
Family: Determining affordable payments

What is “affordability?”

Conceptual approaches:
- **Current payment shares**
  - *Current federal standard (7%) – based on poorly specified data*

- **Exclude basic family budget** [Helburn & Bergman, 2002] – hard to determine needs; cliff effect

- **Level where price not affect utilization decisions** (need new elasticity estimates, differentiated by age, income, location …)

*NSECE-2012* will allow more differentiated analysis, both of current payment levels and updated and refined elasticity estimates.
System Perspective: supports + quality assurance

- **Supports** for both centers and home-based providers
- **PD**: higher ed, training; management and finance
- **Monitor** quality, child outcomes (levels, gaps), costs, equity
- Financial stability, incentives for improvement: multi-year $$
- Utilization *changes in response* to improved quality and financial access – affects cost and provider support
- **Total costs matter** – can inhibit compensation, family assistance
Multiple perspectives => hybrid financing

- **Educators** – appropriate compensation, support and incentives

- **Provider entities** – adequate, stable funding

- **Families** – affordable access, choice among providers; services for special needs children

- **System** – adequate overall funding; effective incentives; equitable distribution
Hybrid Parent-Provider Financing System

Provider Subsidy: not income-related

Family Income 5 FPL 2.5 FPL 8 FPL

Family Assistance Amount

Provider Cost, High Quality

Family Payment Amount

[from Brandon, 2001 + teams in multiple states, counties]
Conclusion: Effective ECE Financing

- Build on clear concepts, good data/analysis – transparent
- Consider perspectives of providers, educators, families, system
- Link adequate funding to high quality – standards, incentives, supports
- Assure equity by family income, communities, children’s special needs
- Financial stability to allow investment – multi-year, advance funding – avoid excessive public costs
Understanding Links Between Implementation and Cost: How a Center-Level Measure Can Help

Presentation at the Child Care and Early Education Policy Research Consortium Meeting
Washington, DC
February 8, 2018

Kimberly Boller • Andrew Burwick • Pia Caronongan • Gretchen Kirby
Overview

• Motivation behind the Assessing the Implementation and Cost of High Quality Early Care and Education (ECE-ICHQ) project

• Contributions

• Project activities

• Literature review

• Conceptual framework

• Phase 1 findings

• Phase 2 goals
ECE-ICHQ project motivation

- Increased investment in quality improvement initiatives at the federal and state levels
- Directors need information about how best to target resources at the center level
- The goal of ECE-ICHQ is to develop a technically sound instrument to measure implementation and cost of care in centers serving children from birth to age 5
What will ECE-ICHQ measure?

- **What** a center does to support quality
  - How features are defined (teacher–child ratios, group size, staff qualifications)
  - What practices are in place (curriculum use, child assessment)

- **How** quality features and practices are supported and implemented within a center

- **How much** the ECE services cost and how resources are allocated within the center
What will ECE-ICHQ measure?

**QUALITY MEASURE**
What level of ECE quality does a center achieve?

**IMPLEMENTATION MEASURE**
What does a center do to provide quality ECE and how?

**COST MEASURE**
What are a center’s total costs? How does a center allocate resources across key functions?
Understanding center-level costs

• ECE-ICHQ takes the bottom-up approach to measuring the costs of quality

• Accounts for the possibility of different paths to quality
  – Costs may be similar for some paths; other paths may be more cost effective
  – Allocation of available resources within a center might provide important information beyond costs
Contributions of center-level data collection and potential measures development

**Implementation**

- Potentially informs choices for where directors, T&TA providers, or policymakers might place their bets for testing and improvement

**Cost**

- Helps understand range and nature of labor versus other costs within and across settings
- Provides insights to variation as input to subsidy rates and TQRIS

**Both**

- Identify more efficient and cost-effective paths to quality
- Identify factors that can hone existing financing models and unify these efforts across systems and centers
ECE-ICHQ project activities

Technical Expert Panel (TEP)

- Literature review
- Comparative multi-case study
  - Conceptual framework
- Develop measures of implementation and cost of quality
  - Develop instrument to collect, construct, and report measures
- Field test
- User’s manual

Dissemination to practitioners, administrators, researchers
Literature review

Three questions:

- What are the features of high quality ECE?
- What does it take to implement high quality, center-based ECE services?
- What is the relationship between quality and costs of center-based ECE?

49 studies covering research on ECE quality, implementation science, and costs
What is the relationship between quality and costs of center-based ECE?

- Higher-quality centers tend to have higher costs
- Magnitude of the relationship between cost and quality ranges considerably across studies
- Costs vary based on enrollment level, hours of operation, staffing structure, ages of children served
ECE-ICHQ conceptual framework

• Illustrates relationships among:
  – Program features related to quality
  – Organizational features and activities that support implementation
  – Center context and characteristics
  – Costs

• Addresses how costs are allocated across key functions in a center

ECE-ICHQ conceptual framework
## Phases of data collection for the ECE-ICHQ multi-case study

<table>
<thead>
<tr>
<th>Phase</th>
<th>Purpose</th>
<th>Methods</th>
<th>Number of centers</th>
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<tbody>
<tr>
<td>1</td>
<td>Identify the range of implementation activities and key functions; test data collection tools and methods using cognitive interviewing techniques</td>
<td>Semi-structured, on-site interviews; electronic or paper self-administered questionnaires; electronic cost workbooks; paper time-use surveys</td>
<td>15</td>
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<tr>
<td>2</td>
<td>Test usability and efficiency of refined and reduced data collection tools and methods; specifically, test web-based collection for time-use data for lead and assistant teachers</td>
<td>Telephone interviews; electronic cost workbook; web-based time-use survey</td>
<td>30</td>
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</tbody>
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Key findings from Phase 1

• Content
  – Identified a range of approaches and intensities in what centers do and how
  – Developed preliminary understanding of cost allocations

• Feasibility of data collection and functionality of tools
  – Need to simplify and reduce data collection tools and processes

• Conceptual approach
  – Can measure implementation and costs around key functions
Phase 2 goals

• Test the usability and efficiency of refined data collection tools across a range of ECE centers

• Assess the alignment between draft measures of implementation and cost
  – Are implementation, cost, and time use related in ways that we expect (or in ways that can be explained by the data)?

• Continue refining data collection tools and measures using the data collected from centers in Phase 2
  – Are revised items interrelated?
  – Are revised items working similarly (or varying in ways we would expect) across the different settings?
Center-level links between costs and implementation can inform financing/policy

• Getting beyond price, market rates, and labor costs to inform policy and decision making
  – Assessing variation by setting as possible and in future

• Can inform equity discussion after identifying costs of high quality implementation
ECE-ICHQ contacts

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