

## Plenary 3: *Financing to Support an Accessible High Quality Early Care and Education System*

Thursday, February 8, 2018

9:00 a.m. – 10:00 a.m. | *Adams/Morgan*

### 1. Descriptive Information

#### **Plenary 3: *Financing to Support an Accessible High Quality Early Care and Education System***

It is well established that the first years of a child's life are critical for building the foundation needed for success in school and later in life; however, the current funding structure for the early care and education (ECE) system is neither sustainable nor adequate to provide the quality of care and learning that children and families need. This session will provide an overview of the historical and current issues that affect financing of the ECE system. Presenters will highlight policy and research gaps and discuss efforts that are underway to address them that may increase the equity of access to high quality ECE. Leigh Bolick will open the session by sharing some of the challenging financing decisions policy makers and local programs face. Lynn Karoly will then discuss an overall approach for cost and financing analysis related to attaining high quality ECE, highlighting key policy questions and areas of required research. Rick Brandon will follow by discussing 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 will present a conceptual framework for determining the costs of implementing high quality ECE and report findings from the *Assessing the Implementation and Cost of High Quality Early Care and Education* project. Leigh Bolick will conclude the session by discussing the public policy implications of the presentations and facilitating a discussion among the presenters.

#### **Moderator**

**Leigh Bollick**, National Center for Data and Reporting

#### **Panelists**

**Lynn Karoly**, RAND Corporation

**Richard Brandon**, RND Consulting

**Kim Boller**, Mathematica Policy Research

#### **Scribe**

**Katie Caldwell**, ICF

### 2. Documents Available on Website

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

### 3. Brief Summary of Presentations

- **Summary of Presentation #1: Leigh Bollick**
  - Presented a story about a bar that built a maze to creatively side step a law. Solutions to policy and funding problems requires a creative solution.
  - Coming in February 2018, the NASEM study will address many of these issues.
- **Summary of Presentation #2: Lynn Karoly**
  - Thinking broadly about the early care and education system, including the ECE providers, families, other key stakeholders such as CCR&R, employers, training providers, philanthropy
    - This all operates within the environment of federal, state and local policy
    - All this operates under the umbrella of funding mechanisms, revenue raising systems and infrastructure system.

- Key Issues for financing a high-quality ECE system
  - What are the provider and system level cost for providing high-quality ECE?
    - Policy considerations
      - What workforce competencies, education and professional development is needed to achieve high quality?
      - How much compensation is required?
    - Research needs
      - Understand how program features relate to quality
      - Provider and system level cost calculators
      - Measurement tools to capture measures of quality, how they are implemented and how much they cost
  - Which stakeholders contribute to the cost of high quality ECE?
    - Policy considerations
      - What are the appropriate shares of funding from each source (families, public sector, employers, others?)
    - 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 mechanisms are used to pay for the cost of ECE?
    - Policy considerations
      - What are the most efficient funding mechanisms?
        - Family oriented?
        - Provider oriented?
        - Workforce oriented?
    - Research needs
      - Data and analysis to understand the relationship between funding mechanism and ECE workforce skills/competencies and program quality
- **Summary of Presentation #3: Richard Brandon**
  - An effective financing structure equals adequate money for high quality, accessibility and financing mechanisms to distribute money
  - Important to consider multiple perspectives when designing an effective system
    - Provider
      - 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, equitable
    - Hybrid financing
      - Link family and provider perspectives
  - Funding providers
    - Currently mixed: Head Start, preK- cost-based, CCDF- price-based
    - Cost based builds from ingredients, structural quality standards
    - Price based builds on diverse market
  - Educator Perspective
    - Difficult to link qualifications to competence
    - Challenge of maintaining diversity
    - Increasing educational attainment
    - Compensation
    - Need experimental data

- Family Perspectives
  - Choice
  - Recognize diversity
  - Affordability, equity and work incentives
    - What is affordability?
      - Conceptual approach: current federal standard (7%) - based on poorly specified data
      - Exclude basic family budget - hard to determine needs, cliff effect
      - Level where price does not affect utilization decisions (need new elasticity estimates, differentiated by age)
  - Utilization changes in response to higher quality
- Multiple perspectives = hybrid financing
  - Hybrid parent-provider financing system (see graphic from presentation on page 27 of presentation)
- **Summary of Presentation #4: Kim Boller**

Understanding links between implementation and cost: how a center level measure can help

  - Implementation and Cost of High Quality Early Care and Education (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 cost of care in centers serving children birth to age 5
  - What will ECE-ICHQ measure?
    - What a center does to support quality?
    - How quality features and practices are supported and implemented within a center
    - How much the ECE services cost and how resources are allocated within a center
  - Understanding center level costs
    - ECE-ICHQ takes a bottom up approach to measuring costs of quality
    - Accounts for the possibility of different paths to quality
  - Ultimately the project will take the measurements and create a user's manual
  - Lit review - looked at 49 different studies focused on quality and cost
  - ECE-ICHQ conceptual framework illustrates relations among:
    - Program features related to quality
    - Organization features and activities
    - Center context and characteristics
    - Costs
  - Conceptual framework also addresses how costs are allocated across key functions in a center
  - 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

#### 4. Brief Summary of Discussion

More parents are using center-based care- what implications does this have for family home providers?

- What is it that family based providers provide that center based providers cannot meet - understanding how we support this need of families?

#### 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)

- Several research needs were identified related to funding high quality child care:
  - More information to understand how program features relate to quality
  - Provider and system level cost calculators
  - Measurement tools to capture measures of quality, how they are implemented and how much they cost
  - 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
  - Data and analysis to understand the relationship between funding mechanism and ECE workforce skills/competencies and program quality
- A hybrid parent-provider financing system as detailed by Mr. Brandon could be a solution to funding high quality ECE