Session # A-3

Title: Balancing Access and Quality in Payment Policies

Moderator: Dawn Ramsburg, Ph.D., Child Care Program Specialist, Child Care Bureau (CCB)
Bobbie Weber, Ph.D., Faculty Research Associate, Oregon State University
Alice Womack, State Child Care Administrator, Kansas
Rick Brandon, Ph.D., Director of Human Services Policy Center, University of WA
Ann Reale, M.P.A., Commissioner, Massachusetts Department of Early Education and Care

SUMMARY OF PRESENTATION
Roberta Weber – *Market-Based and Publicly Managed Child Care Assistance: Role of Market Rate Survey* (see handouts) - Definition of child care market - Market based and publicly managed child care assistance are two different ways a system can work, both have different strengths and weaknesses, states are experimenting. - Comparison of market based and publicly managed systems related to quality, access, eligibility and continuity, and system impacts - Market –based child care. A valid market rate survey is necessary for having a snapshot of prices but not sufficient for ensuring access to the child care market. Shared findings from market rate survey policies and practices of states, territories and tribes. - Validity issues for market rate surveys were reviewed. Alice Womack (SA Kansas) – Balancing *Access & Quality in Payment Policies* (see handouts) - Provided a background of child care landscape in KS - Overview of EBT payment system (goals and impact on benefit issuance) - Overview of Market rate Study - Overview of Market Rate Survey and impact on rates - Discussed impact of EBT system on market rate study and on percentile computation - Conclusions Richard Brandon – Moving Towards Quality Based Rates - QRS an increasingly popular mechanism to set standards, often connected to tiered reimbursement - Growing recognition that high quality ECE requires more qualified staff which costs more. How much more, who will pay and how much quality in return. - Early learning is now being considered within P-12/16 system pressures for alignment. - Conceptual shift from access to price to access to quality. Intent of market rate regulation was to ensure subsidy kids have access to the same (cost) of care as non-subsidized kids. Implicit inception is that price is an indicator of quality. QRS is a more direct and accurate way to measure quality. When QRS standards entail

higher provider costs, issue shift.

- Several objectives of rate setting: accurately reflect costs of meeting standards; provide incentives at provider level and at system level that allows the whole system to get better; ensure all kids have access to upper level of quality; signals to parents as informed consumers
- Opportunities of moving to quality based rates: accountability and public/policy maker support: directly link quality, actual costs and payment rates; way to get from "here to "there."; promote monitor and examine process of quality improvement; synchronize parent and professional views of quality.

- Challenges: measurement (structural vs. observational measure, scales costs in time and money); improving ECE system vs. rewarding better providers. Dynamic ratings two indicators – change score; shift entire set of standards as providers improve); reimbursement reflect actual cost -= transitional vs. ongoing; market feasibility – assistance to providers, families to afford higher QRS level.
- Balancing access and quality: build rates from estimated costs of quality; establish based rates from market prices to assure financial access; adjust for quality levels based on estimated cost differentials.
- Presented a model.
- Major provider cost drivers: ratios, professional qualifications, compensation guidelines, pace of quality attainment
- Accountability structures
- Moving to a cost of quality rating payment system would require a greater reimbursement rate but it would be much closer to the 75th percentile.
- A cost of quality payment system would impact affordability for parents, affordability goes through the window so it would require assistance for middle income families as well as low incomes.
- A quality based rating system can assure financial access if costs/rates are checked against market prices and family affordability criteria.
- Moderate middle income families may not have access to upper level of quality without financial assistance – can undercut market feasibility of QRS.

Ann Reale (MA) – *Payment Rates in Multiple Programs Across a System* (see handouts)

- Described new Department of Early Education and Care, structure, funding and guiding principals
- ECE tri-lemma: access, affordability, access
- Found state rates below the 25th market percentile for a least one type of care in every region, most often with IT care
- Did a cost survey in tandem with market survey

DISCUSSION

Nervous to connect market rates to QRS to market rates because the market rates have been volatile. Richard answered that change makes people nervous. The quality issues are "squishy". Market rates have a history but they aren't related to quality so need to shift the conversation to how to buy quality not pay higher costs. Bobbie answered that provider community does not price based on their cost. The subsidy system isn't going to move child care from a market based to a publicly managed child care system. So think more about this sector as charging less than they spend. Richard feels child care is a mixed public/private market which is similar to health care. So what are the mixture of incentives between direct spending, tax incentives, etc. that provide the full range of access to different income groups.

There's a value to not refining the market too carefully and might suppress the rates in low income markets.

75th percentile is very different in different communities.

Often the rates being paid are what can be afforded, not just for the low income kids but for middle income kids as well.

Trying to tie good business practices to quality improvements in the system. Do child care operators business practices influence the market? Bobbie feels that the prices for child care services are constrained so that drives the operators' business decisions. Also, child care providers come in and out of the market (it leaks). Also there may be disadvantages of scale – small providers that can charge low rates (and still have relative quality) may actually negatively drive down the costs. **What are the best levers to use for a QRS**? **Is there research about what costs we should be trying to hit? What can we do with limited resources that matter in terms of quality?** Don't do something temporary. Also look at what the different quality changes are – can't be just behavioral, must be structural (different ratios, different qualifications) so they are permanent changes. If you don't build the costs of this into the incentive system, these structural changes won't be sustained.
KEY POINTS
- Price doesn't equal cost. - There are lots of things to consider about market rate surveys that impact how you do it and what you do with the information.