Market-Based and Publicly Managed Child Care Assistance: Role of Market Rate Surveys

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Child care market

Definition:
The collection of buyers and sellers that, through their potential interactions, determine the price of a product or set of products.
Market-based and publicly-managed child care assistance

- Publicly-managed:
  - Government determines amount will pay
  - Government contracts with facility
- Market-based:
  - Facility determines a price
  - Government may pay all or portion of parent fee (voucher or certificate)
- Each approach has strengths
- States are in period of experimentation blending the two approaches
Comparison of typical market-based and publicly-management child care assistance on:

- Quality
- Access
- Continuity
- System Impacts
Quality

- State or territory can direct funds to facilities that meet specific set of criteria linked to quality
- May be able to base payments on cost of care
- Parent selects based on perception of what is best for child and family
- “Federal funds cannot pay more for services than is charged the general public for the same service”
**Access**

- Parents have access to facilities with which state/territory contracts
- Publicly-managed programs not likely to exist in every community but can provide centers in low-income communities where market does not provide options
- Facilities likely to operate during traditional work schedule
- Funds often directed to facilities that serve preschoolers

- Parents have access to whatever legally-operating facilities exist in their community
- If unregulated family, friend, and neighbor care is legal, some care exists in most, if not all, communities
- Access to legally-operating arrangements available in non-traditional hours
- Funds go to facilities that serve children of all ages
Eligibility and continuity

- Eligibility for assistance and facility linked
  - Eligibility to attend facility may be tied to family income and less likely to be tied to parental employment
  - Child may have to be income eligible in order to attend facility
  - Eligibility is often for a school year

- Eligibility for assistance not linked to a facility
  - Eligibility linked to parental employment and family income
  - Child may become ineligible due to change in parent employment or earnings.
  - Child may remain in same facility after spell of subsidy use
  - Eligibility redetermined on regular basis—typically six months
System impacts

- Investment in a limited number of facilities
- Cost control must deal with time-based contracts
- Potential to impact a wide range of legally operating child care facilities
- Control costs by changing policy levers: eligibility, copay table, maximum payment rate, wait list
Market-based child care

- Access to child care are linked to how closely payment rates match prices parents find in their community.
- Market rate surveys are key to understanding how child care operates in a community.
- Market rate studies are tool CCDF regulations require states to use to document relationship of payment rates and child care prices.
- Valid market rate studies are necessary but not sufficient to ensure access to child care market.
Guidance for Validating Child Care
Market Rate Surveys

- Research project funded by Child Care Bureau
- Findings from survey of market rate survey practices and policies of states, territories, and tribes completed and available
- Study of validity of survey methods underway
- Study of effects of subsidies on market prices underway
Findings on market rate survey policies and practices of states, territories, and tribes

- No consensus on survey methods
- States mainly carry out own market rate surveys but more than half of states contract out:
  - Data collection (81%)
  - Data analysis (53%) and reporting (51%)
- States spend between $1,500 and $562,698—half of states spend less than $30,848
- Costs are associated with population size and data collection method
Validity

- Market rate survey findings are valid to the extent they match the prices parents find when seeking care in their community.
- Complexity of child care market challenges those who attempt to study it.
- In order to produce valid findings, methods must:
  - Deal with market complexity.
  - Meet data collection and analysis standards.
Validity issues: Dealing with child care market complexities

- **Representation**—Not all facilities have “market price”
  - Singly or in combination, states use three databases to identify facilities to survey: licensing, R&R, and subsidy
  - Some facilities do not charge for service
  - Public funds all or majority of children in some facilities

- **Submarkets**—Characteristics which affect prices create submarkets
  - Age
  - Type of care
  - Schedule

- **Community definition**—No geographic unit captures price differences
  - Variation in prices may exist within city or county
  - Prices are similar in noncontiguous units
  - Child care and housing prices are highly associated

- **Pricing modes**—Facilities typically charge in one or more of four modes (hourly, daily, weekly, monthly):
  - Relationship between modes may not be linear
  - Conversions may introduce error
Validity issues: Dealing with data collection and analysis issues

- **Data collection:**
  - Who asks?
  - How current?
  - How many facilities respond?

- **Unit of analysis:**
  - Studying price of slots
  - Facility level analysis does not take into account that one facility has 20 slots and another 120
Major market rate survey issues

- No geographic unit provides perfect definition of community
  - Prices differ within cities and counties
  - Communities with similar prices not contiguous
- Communities with little or no market care
  - Small number of parents who purchase care
  - Government funds majority of child care services