

UI Research on Child Care Providers and CCDF: Insights Relevant for the Recession

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Vouchers and Providers: Study Design

Study of child care providers and their experiences with the voucher subsidy system. Data based on:

- Surveys of centers and family child care homes
- Focus groups and interviews with providers, agency staff, and key experts

Collected in 2003-2004 in 5 counties:

- Jefferson County, AL (Birmingham); Hudson County, NJ (Jersey City); King County, WA (Seattle); Monterey County, CA; San Diego County, CA

Publications listed at end of handout

Focus Today

Findings from *2003-2004* – but looking at these findings in light of the current recession:

- What have we learned about providers and their experiences with voucher policies and practices?
- What are the implications of voucher policies for provider willingness to serve families with vouchers, quality of care, and financial stability?
- What insights does this provide for how providers may be experiencing the recession and what CCDF can do?

Provider Involvement with Vouchers

A majority of providers currently or recently served children with vouchers, even higher proportion *willing* to serve, but 1/3-1/2 were not willing to have their whole enrollment comprised of children with vouchers

Implications:

- System working fairly well given involvement levels
 - some cause for concern about which providers limiting enrollment or unwilling
- Suggests need to understand ways voucher systems may not work well for some providers

What Were Provider Concerns with Vouchers?

- **Overall payment levels**
- **Non-payment for services provided** (financial losses) due to unpaid absent days, challenges around collecting copayments, and notification about changes in authorization (initial approval, interim changes, and termination)
- **Uncertain cash flow** due to payment delays (related to agency policy, provider errors, and/or challenges resolving disputes)
- **Transaction costs** due to challenge of working with voucher agencies, with reaching staff most pressing concern
- **Hidden costs** due to extra needs of supporting families – with voucher system or in other ways

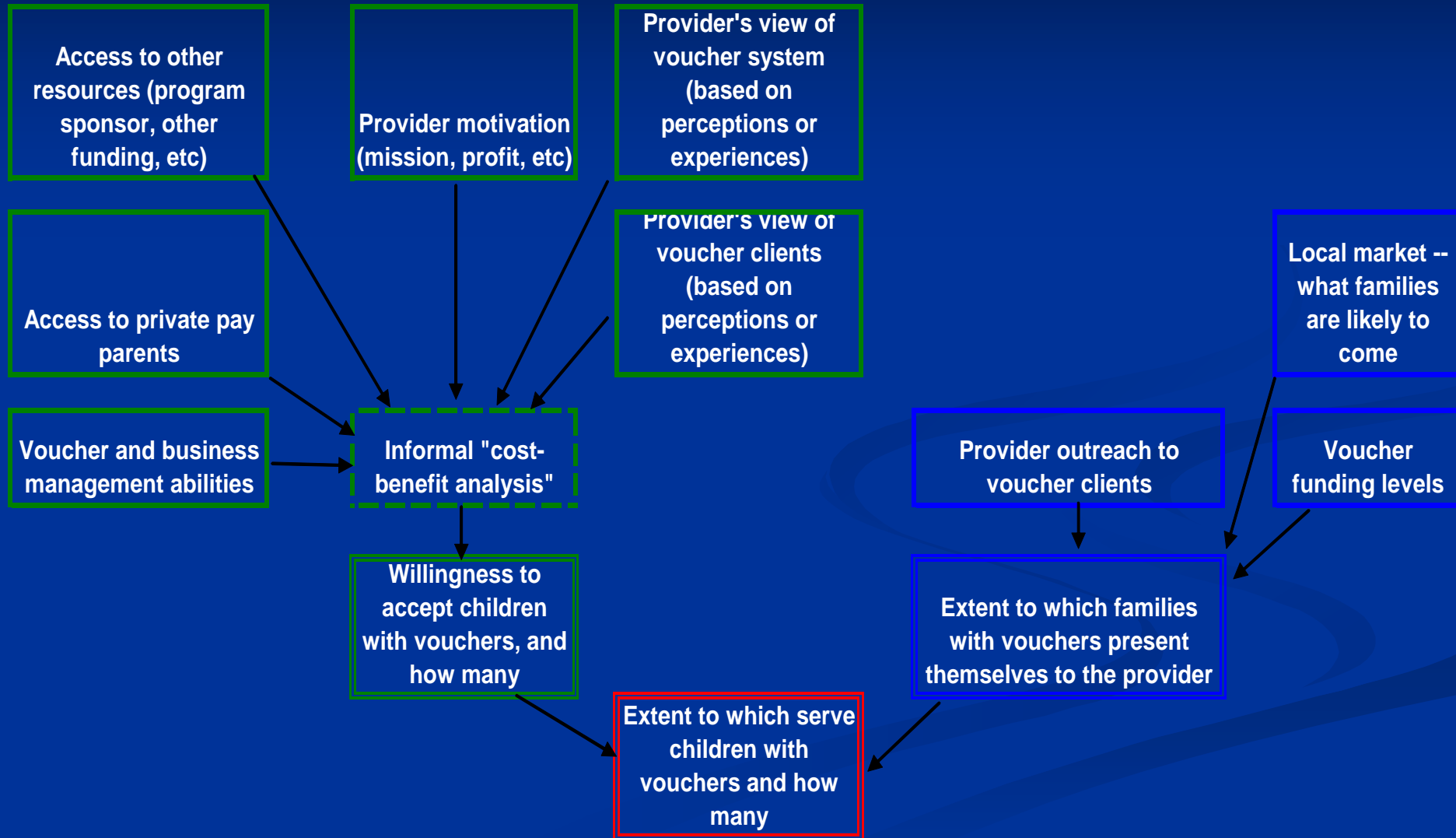
Provider perspectives on “cost-benefit” of voucher involvement

Providers appear to engage in informal “cost-benefit” analyses of voucher involvement – how they weigh the costs/benefits depends upon:

- **Provider characteristics:** Provider motivation/ personality, and ability to manage business or vouchers to minimize costs
- **Characteristics of clients:** Provider perception of, and/or experience with, families receiving vouchers
- **Market/Policy/Community context:** Extent to which have alternatives to vouchers, such as private-pay parents, other income sources (*e.g.* affiliate status), or other funding streams
- **Voucher system policies/implementation:** Provider perception of, and/or experience with, voucher policies and practices

Factors Shaping Provider Willingness to Serve Families with Child Care Vouchers, and How Many

A Draft Logic Model



Provider Strategies to Limit “Costs” of Voucher Involvement

Providers who are concerned about “costs” of voucher involvement appear to employ one or more of the following strategies:

- Limit number of families with vouchers (or refuse to serve), and/or screen individual parents*
- Buffer costs with other resources*
- Use business/voucher management skills

* *Strategies that may not be as available to providers during a recession*

Provider Strategies to Limit “Costs” of Voucher Involvement

However, not all providers can do this:

- Those with fewest alternatives or other resources are less able to use these strategies to manage “costs,” thus are more likely to incur them
- Yet voucher-related costs for these providers still could be less costly than private-pay alternatives
- Need to learn more about which providers fall into this category – and whether more providers are moving into this group with the recession

Why Do We Care?

Financial Stability

The financial condition of many providers problematic even in 2003-2004:

- 29-43% of *centers* reported losing money in previous year, another 24-34% reported only breaking even
- 36-41% of *family child care providers* reported at least one month where expenses were greater than revenue in previous year – with the average number of months they lost money being more than 3 months

Likely that the recession has exacerbated this problem, magnifying the challenges for providers serving low-income families

Why Do We Care?

Financial Stability

- Some providers appear to limit voucher involvement to protect financial well-being and stability, affecting parent choice options. They may be less likely to have this option with the recession
- However, for providers with few alternatives to vouchers:
 - Voucher policies may disproportionately affect financial stability -- positively or negatively – though could still be more stable than private pay alternatives.
 - Reductions in voucher demand likely to undercut financial well-being for providers heavily reliant on vouchers

Why Do We Care?

Quality of Care

- Some providers appear to limit voucher involvement to protect quality, which, in turn, is likely to limit parental choice of these providers (which may be those of higher quality). [Again, may be less likely to have this option with the recession.]
- For providers with few alternatives to vouchers:
 - Voucher subsidy policies may disproportionately affect quality – by affecting resources, stability, stress, other demands
 - Reduction in voucher demand likely to undercut quality
- Voucher policies may affect quality of care that families with vouchers can choose

Implications for Providers and CCDF with the Current Recession

Response of any particular provider to the recession likely to vary depending on:

- Their own characteristics – such as
 - Motivation/mission
 - Business approach and management skills
 - Vision of quality and service
- Other financial resources (private pay, philanthropy, other ECE funding)
- Voucher availability, value, and ease of use
- Market demand (which families come to their door)

Implications for Providers and CCDF with the Current Recession

Effects of the recession are, therefore, likely to vary across providers, and within and across both communities and states:

- In addition to questions of overall supply, impact likely to include shifts in quality, stability, and willingness to serve some families
- Interaction of CCDF policies and practices with market conditions complex
- Important to consider impact on providers of greatest concern

Implications for Providers and CCDF with the Current Recession

What CCDF administrators can do:

- Consider what you know about your provider base in light of this research -- their specific vulnerabilities and likely responses
- Examine payment policies/practices to ensure they do not contribute to financial instability, inadvertent reduction of resources, or other challenges for providers
- Explore other supports to support quality and stability – including “hidden” issues around voucher and financial management skills for vulnerable providers

Related UI Publications

all available at www.urban.org

Child Care Voucher Programs: Provider Experiences in Five Counties. March 2008. Gina Adams, Monica Rohacek, Kathleen Snyder. (Available in 2 forms: Executive Summary, and Full Report)

Child Care Vouchers and Unregulated Family, Friend, and Neighbor Care. March 2008. Kathleen Snyder, Sara Bernstein, Gina Adams.

Child Care Centers, Child Care Vouchers, and Faith-Based Organizations. March 2008. Monica Rohacek, Gina Adams, Kathleen Snyder.

Understanding Quality in Context: Child Care Centers, Communities, Markets, and Public Policy. July 2010. Monica Rohacek, Gina Adams, Ellen Kisker.