The Role of Vouchers in Supporting Parent Choice in the Child Care Subsidy System

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Rationale for Use of Vouchers

- Critical role of parent choice in child care

- Vouchers provide:
  - *Flexibility* to select from broad array of care settings and provider characteristics
  - *Portability* to combine multiple arrangements and/or ease transitions between types of care or providers
Use of Vouchers in the Child Care Subsidy System

- States are required to offer vouchers
- Overall, 85% of children are served through vouchers
- 33 states pay for care only through vouchers or cash
- Only 6 states pay for the care of at least 30% of children through contracts
Elements of Parent Choice Influenced by Subsidy System

- **Affordability:** Can parents pay for the child care arrangement of their choice?

- **Availability:** Is there adequate supply of and diversity in care settings to meet parental preferences?

- **Quality:** Do parents receive information to make an informed choice?
Vouchers and Affordability of Child Care

- Mixed contract and voucher-based systems typically have:
  - Shared access points
  - Centralized waiting lists
  - Consistent reimbursement rates

- Payment mechanism (voucher, cash, contract) matters less than:
  - Access to subsidies
    - Coverage of eligible families
    - Mechanics to receiving subsidy
  - Reimbursement rates and family copays
Availability of Subsidized Child Care

- Supply of Child Care
- Diversity in Types of Subsidized Providers
- Provider Participation in Subsidy System
Availability: Vouchers and Supply of Child Care

- Vouchers most effective in promoting choice when the general child care market already offers a good supply and diversity of providers.

- Contracts play a role in promoting choice when the supply of care is sparse:
  - for specific groups of children (infant/toddler care; special needs)
  - in specific geographic locations (rural areas)
Availability: Vouchers and Diversity of Subsidized Providers

- Vouchers expand choices for families by broadening the types of providers in the subsidy system to include:
  - Informal care providers
  - Formal, home-based care
  - Faith-infused child care centers
Availability: Vouchers and Provider Participation

- Vouchers can promote a dynamic child care market
  - Do not have the "time-lock" of contracts
  - Ease entry of providers into subsidy system
  - Require providers to be responsive to community/family needs to attract families

- Policies and procedures influence participation regardless of payment mechanism
  - Licensing requirements / exemptions
  - Level of reimbursement rates
  - Reporting/documentation required for continued participation
Vouchers and Quality of Child Care

- Vouchers promote competition:
  - Encourage providers to be responsive to consumer demands, in theory

- Consumer demand for quality depends on:
  - Balance between quality and other factors in child care decision
  - What parents know about how to assess quality
  - Time and resources parents have to assess quality and make transitions to satisfy quality demands
Vouchers and Quality of Child Care (cont’d)

- Consumer education critical in voucher-based system to support informed choice
  - Consistency in information delivery to parents
  - Thorough coverage, accuracy, and ease in understanding content of information provided to parents

- Quality Rating Systems are a mechanism to provide consistent and understandable information to parents and reward providers for higher-quality programs
Summary:
Vouchers and Parent Choice

- Vouchers maximize choice by making parents the central figure in deciding when and where to receive child care services

- Policy and procedural decisions affect other factors that contribute to degree of parent choice:
  - Access to and value of subsidies for families
  - Number and type of providers available
  - Participation in system by providers
  - Consistency and coverage of consumer education information