

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

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# Rationale for Use of Vouchers

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- **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

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- **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

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- ***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

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- **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

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- **Supply of Child Care**
- **Diversity in Types of Subsidized Providers**
- **Provider Participation in Subsidy System**

# Availability:

## Vouchers and Supply of Child Care

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- 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

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- 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

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- **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

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- **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*)

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- **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

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- **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**