

Child Care Subsidy Reimbursement Rates and Parent Fees

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The choice of care parents are able to access depends on what's available in their area and what they can afford to pay. Quality counts *and* quality costs. The level at which states reimburse providers directly affects the level of quality parents are able to access with the subsidy. The federal government recommends that states reimburse at the 75th percentile of the current market rate survey. This is not what is happening in the states.

Congress and the States should each increase investments to improve subsidy reimbursement rates. State Plans should describe a multi-year effort to move in this direction as well. In the meantime, children are enrolled in care *today* and providers are working hard to operate at high levels of quality with minimal resources.

The Early Care and Education Consortium recommends that, for states that pay a reimbursement rate lower than the federally-recommended 75th percentile of the current market rate, states should be required to *allow* providers to charge parents the difference between the state-reimbursed amount and the rate charged to private-pay parents.

Subsidy reimbursement rates in many states are far below the cost of providing child care, making it difficult – and in some cases impossible – for families receiving the subsidy to access good quality child care and for providers accepting subsidy families to make business ends meet.

Fees from parents and from subsidy payments from the State go right into the program for basic operations and continuous quality improvement. Without adequate subsidy reimbursement, providers have to cut back, and may not be able to offer the opportunities they know are best for early childhood development and learning. High-quality providers are too often faced with having to limit the enrollment of families that pay with assistance because the provider cannot maintain high standards at low reimbursement rates from the State.

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More than one third of families enrolled in ECEC member centers pay with child care assistance.

ECEC members report that the number one thing holding back quality improvement in programs that serve low-income families is child care subsidy reimbursement rates.

States Impacted by ECEC Recommendation to allow providers to charge above the copay if a state is paying at less than the 75th percentile of the current market rate		
State	Maximum Reimbursement Rate Percentile	Providers Allowed to Charge parents above the Copay?
Colorado	Locally determined	No
District of Columbia	75 th percentile of 2001 rates	No
Iowa	2% above the 75 th percentile of 2004 rates	No
Maine	50 th percentile of 2010 rates	No
Massachusetts	3 rd -43 rd percentile of 2010/2011 rates	No
Nebraska	50 th -75 th percentile of 2011 rates	No
New Mexico	Above or below the 75 th percentile of 2011 rates	No
Ohio	26 th percentile of 2010 rates	No
Oklahoma	23 rd -72 nd percentile of 2010 rates	No
Rhode Island	75 th percentile of 2002/2004 rates	No
Texas	8 th -74 th percentile of 2011 rates	Determined locally
Washington	10 th -84 th percentile of 2010 rates	No
West Virginia	35 th -85 th percentile of 2011 rates	No

An example of this policy in practice:

Jane Smith’s subsidy voucher allows her \$100/week for care for her 1-year old child. Along with her \$2/week copay, she can afford to buy care for \$102/week. She would like to enroll her child in Community Child Care, a nationally accredited center near her work site. Community Child Care charges parents \$110/week.

Currently: Jane Smith’s state prohibits providers from charging the difference between their usual and customary rate and the state reimbursement. Community Child Care has no choice to negotiate a rate with Jane and must either take the reimbursement rate and copay (with the \$8/week financial loss) or turn Jane and her child away.

Proposed: Jane’s state reimburses at the 25th percentile of the market rate survey, meaning she can afford to buy child care from only about 1 in 4 providers statewide. However, with the prohibition on charging the difference removed, Jane can enroll her child in the quality program of her choice because she and Community Child Care negotiated a way to use her subsidy, her copay, and other resources Jane can obtain (a commitment from a grandparent who lives elsewhere) to pay the price of care.