A Study of the Child Care Payment System in Ohio

Pursuant to Am. Sub. H.B. 283

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Ohio's main operating budget act for the fiscal year 2000-2001 biennium, Amended Substitute House Bill 283, directed the Legislative Budget Office (LBO) of the Legislative Service Commission to "undertake a study of publicly funded child care payment procedures and make recommendations regarding the feasibility and the potential for development of a cost-based prospective payment system." The act further specified, "Any prospective system should provide for predictability and stability of payment and should take into consideration facility costs and training costs."

The Ohio General Assembly stipulated that LBO report its findings to the Speaker and Minority Leader of the House of Representatives; to the President and Minority Leader of the Senate; and to the Governor no later than July 1, 2000. Subsequently, in May 2000, the Legislative Budget Committee requested that LBO submit an interim report on July 1 and make final its report by September 1, 2000.

This directive addresses an overlooked area of inquiry in the research and discussion on child care that have flourished in the 1990s. Although child care has moved to the front and center of the political dialogue and administrative challenge in the era of welfare reform, little information is available concerning how the mechanics of program implementation affect the child care market or achieve desired program outcomes. There has been a flood of research on quality issues, from early childhood education techniques to teacher salaries, and the body of information evaluating the impact of subsidized child care in helping families achieve economic and social self-sufficiency and helping children reach their full developmental potential grows daily. In short, researchers have been asking "What is quality child care and how can it be promoted?" and "How are families using child care subsidies to achieve self-sufficiency in the era of welfare reform?"[1] However, little attention has been paid to the mechanics of the subsidy process, especially the design and operation of payment systems, the central nervous system of any state's intervention in the exchange between provider and parent.

This report is divided into sections: a discussion of methods, an overview of subsidized child care in Ohio, an analysis of the current payment system, a discussion of vendor payment in other Ohio programs, a review of county and provider evaluations of alternative payment arrangements, and our conclusion and recommendation.

Method of Inquiry

In preparing this report, LBO pursued three lines of inquiry. We began by asking, "What are current conditions regarding the predictability and stability of child care subsidy payments to providers?" Understanding how different parties experience the child care payment system and the challenges each face informs any evaluation of the feasibility of replacing the current reimbursement system with a prospective system. For answers, LBO contacted both center-based, state-licensed and county-certified, family child care providers, and we met with representatives of the county departments of job and family services. We sought to better understand how the current system operates, why it is structured as it is.

A second area of inquiry revolved around the question "What best practices, model structures, or emerging trends exist in county and state program administration and oversight in child care, and in related programs in Ohio, that might enhance child care payment predictability and the stability of child care payment processing, or inform a discussion of the development of a prospective payment system?" LBO looked to the counties for procedural and technical developments in their child care operations. In addition, we also interviewed administrators in the following Ohio programs.

- <u>The Ohio Child and Adult Care Food Program</u>. This federally-funded program administered through the Office of Child Nutrition Services in the Ohio Department of Education (ODE) subsidizes the cost of meals for certain child care providers.

[1] See, for example, Jessica Brickman Piecyk, et al., "Patterns and Growth of Child Care Voucher Use by Families Connected to Cash Assistance in Illinois and Maryland" and J. Lee Kreader, et al., "Scant Increases After Welfare Reform: Regulated Child Care Supply in Illinois and Maryland, 1996-1998," Reports of the National Center for Children in Poverty (NCCP) Child Care Research Project, May 1999 and June 2000, respectively; and Rachel Schumacher and Mark Greenberg, "Child Care After Leaving Welfare: Early Evidence from State Studies," Center for Law and Social Policy, October 1999.

- The Head Start Program. This federally-funded grant program in ODE funds early childhood care and education services and, in recent years, has emphasized collaboration with traditional center-based and in-home child care.

- Adult Day Care Services. The Department of Aging's Adult Day Care Services Program, a community-based, long-term care option for elderly Ohioans in need of non-residential therapeutic programs, provides health care, nutrition, and recreational activity in some nursing home facilities and non-profit centers.

- Medicaid Long-term Care. The Ohio Department of Job and Family Services' Medicaid long-term care program includes prospective rate-setting and automated payment for nursing home reimbursement.

A third line of inquiry included a literature review and canvass of leaders in the areas of child care financing and administration in Ohio, in other states, and nationally to answer the question "How do other states approach child care payment processing, the question of prospective payment, and the challenges of administering the federal Child Care and Development Fund block grant?" Specifically, LBO sought to identify prospective arrangements or other payment processing structures and policies aiming to improve payment predictability and stability that have been considered or established. We also hoped in this way to gain a better understanding of how state and federal statutory and administrative conditions in Ohio and elsewhere guide the administration of state and federal child care funds.

In pursuing these three lines of inquiry, LBO developed five principal research instruments or strategies:

- County Survey. LBO sent a 40-question survey to each of the county departments of job and family services concerning their child care operations and their views on potential alternative payment arrangements. Eighty-four of the 88 counties (95.5 percent) responded. See Appendix A.

- Provider Survey. LBO developed a survey instrument for use with licensed child care providers, which included questions mirroring some of those in the county survey, and collaborated with ODJFS to include the LBO payment-system questions in the state's 2000 Market Rate Survey. In April 2000, the combined survey was sent to all 3,366 child care providers licensed through ODJFS. The Ohio Child Care Resource and Referral Association (OCCRRA) handled the distribution, collection, and follow-up on this survey. A total of 1,736 responses (51.6 percent) were received. See Appendix B.

- Focus Groups. At LBO's request, OCCRRA hosted a series of focus groups with family child care providers. Seven focus groups were held with home providers from the following nine counties: Allen, Cuyahoga, Franklin, Gallia, Hamilton, Hardin, Lorain, Lucas, and Wood. ODJFS staff asked to attend the focus groups and a representative of the Department was present at all but one meeting.

- Conversations with child care professionals, county staff, and experts in the field. LBO discussed the child care payment system with a number of child care center directors during the study, including representatives of centers in Allen, Ashtabula, Franklin, Gallia, Geauga, Hamilton, Hardin Cuyahoga, Lake, and Lucas counties. We also discussed the child care payment system with a number of county child care administrators throughout the state and made site visits to county departments of job and family services in the following eight counties: Allen, Cuyahoga, Franklin, Gallia, Hamilton, Lucas, Montgomery, and Summit. LBO also consulted with state and national experts in the field including representatives from Ohio Human Services Directors Association, the Ohio Association of Child Care Providers, the ODJFS Bureau of Child Care Services, the Children's Defense Fund (CDF) and CDF-Ohio, USA Child Care, the National Child

Care Information Center, the U.S. Department of Health and Human Services, the National Conference of State Legislatures, and state and local human service agencies in several states.

- Case Study of Payment Processing. The Allen, Franklin and Hamilton county departments of job and family services voluntarily provided LBO with 12-month summaries of child care payments for one center and one home provider each, chosen by the county.

Survey Methodology and Results

This report is informed by two census surveys of the principle parties to the publicly-funded child care payment system in Ohio — licensed child care providers, who provide direct services for children of Ohio families; and the county departments of job and family services, which initiate contracts, certify family child care providers, process provider invoices, and otherwise administer the state's child care subsidy.

The surveys included a number of similarly-worded questions intended to mirror the two populations, for example the question, "On a grading scale like that used in schools, how would you rate the current child care payment system?" (county survey Question 28 and provider survey Question 23). LBO also asked both the counties and providers identical questions concerning alternative payment arrangements. In addition, both surveys contained free-response questions intended to elicit the respondent's opinions concerning the child care payment system in Ohio. It is important to note that both census surveys were voluntary, self-response research instruments.

County Survey Design and Implementation

LBO prepared the county survey based on information about the payment system obtained from providers as well as county human services officials. Eight counties participated in a pilot survey and the survey draft was also sent to the Ohio Human Services Directors Association for comment. Using feedback from the pilot, LBO refined the survey, a final copy of which was mailed on April 7, 2000 with three weeks provided for response. Sixty-nine counties (78.4 percent) responded initially, but after telephone follow-up, LBO received responses from 84 of the 88 counties (95.5 percent).

The 40-question county survey was divided into six parts: Availability (four questions); Eligibility Determination (six questions); Payment Processing (18 questions), Alternative Payment Systems (eight questions); Rates (four questions, drafted by ODJFS to supplement their 2000 market rate survey); and Recommendations (a free response area). One county (Trumbull) submitted a response to the draft survey, but chose not to respond to the official survey when later contacted by LBO; a second county (Franklin) completed only the first three sections of the survey, ignoring the last eleven questions and the free-response Recommendations section. Several other counties completed all questions, but chose not to make recommendations in the designated section.

Provider Survey

Design. The provider survey was conducted in collaboration with Ohio's 2000 Child Care Market Rate Survey (MRS). Initially, however, LBO had anticipated conducting a sample survey of child care providers licensed by ODJFS, which would have involved mailing a questionnaire to approximately 345 child care centers and family day care centers chosen at random throughout the state. A draft survey was distributed for comment to child care center directors and administrative staff, child care resource and referral agency staff, and to children's advocates. The revised survey included 31 questions in 4 sections concerning provider characteristics, enrollment, the current payment system, and alternative payment arrangements. In addition, the survey concluded with a free response section. As LBO was preparing to mail the revised survey to licensed providers late in March, the ODJFS Bureau of Child Care Services invited us to include our questions in the market rate survey that it was preparing.

Ohio's 2000 Child Care Market Rate Survey (MRS). Collaboration with ODJFS offered a number of advantages to LBO. To begin with, the Ohio MRS is a census of all ODJFS-licensed child care providers, as opposed to our planned sample survey.[2] According to ODJFS, the 1996 MRS had a 60 percent response rate and both LBO and ODJFS assumed—incorrectly, as it turns out—that the response rate would be increased by the addition of LBO's questions related to providers' experiences with the payment system. Thus, collaboration with ODJFS promised a potentially richer picture of the publicly-funded child care system in Ohio, without exposing the survey results to any greater risk of non-response bias. Further, as a census rather than a sample survey, the MRS eliminated one source of potential bias, that induced by possible sampling error.

In addition, ODJFS offered the resources of a large state agency for survey preparation, distribution, database design, and data entry. LBO retained editorial control over the payment system-related questions, user rights to the survey database, and access to the returned surveys themselves. LBO management considered, but dismissed any conflict of interest in the collaboration of the executive agency; while supervision for child care assistance program rests with ODJFS, the administration of payment processing is lodged within the 88 independent county departments of job and family services. Moreover, the market rate survey was a legally-mandated task subject to heightened scrutiny from outside ODJFS, not a likely vehicle for tampering or mis-management. In fact, LBO saw the Child Care Bureau's offer as an opportunity for a unique inter-agency — indeed inter-branch — cooperation in the cause of improved social services delivery. We are grateful for the Bureaus' invitation and for the cooperative spirit of its staff.

Distribution and Response. As part of their contract with ODJFS, the Child Care Resource and Referral agencies (CCR&Rs) distributed the ODJFS-printed survey complete with LBO questions on April 8, 2000, with a return date of May 1, 2000. ODJFS did not pilot its questions or the MRS as a whole, rather the survey instrument was read aloud via teleconference with the CCR&R regional directors who offered comment and criticism (including comments on LBO questions related to the payment system). All non-respondents were contacted at least once by telephone by the CCR&R agencies. ODJFS kept the response door open past the planned June 1, 2000 cut-off; the last sixty responses came during the second week of June and ODJFS forwarded the database to LBO on June 16. In total, 1,736 licensed providers responded to the census survey (51.6 percent of the 3,366 ODJFS-licensed providers). The length of the survey instrument—62 questions over 14 pages—may have contributed to the lower than anticipated response; informal feedback from non-respondents reached later by LBO staff support certainly indicates that length was a contributing factor in the decision of some providers not to respond to the mail survey.

Because the MRS response rate was somewhat lower than the desired 60 percent, LBO made a special effort to see if there was any sort of bias that might be introduced by differences between respondents and non-respondents. The results of these efforts indicate that there is no non-response bias based upon location of center (county), type of center, the type of business organization, whether the respondent provided child care services solely, or whether the provider served publicly-funded children.

The location of a licensed provider is a an important variable in assessing the provider's experience with the child care payment system in Ohio because payment procedures vary greatly from county to county. LBO compared the distribution of responding providers by county in the MRS with the distribution of all licensed providers obtained from state licensing records and identified no significant variations (see Appendix D, Table 1).

LBO employed several techniques to attempt to identify other potential sources of bias or distortion that may have resulted from the slightly low response rate. First, we checked whether the response rate among providers serving publicly-funded children — the population of interest in our review of the publicly-funded child care payment system — was higher than the proportion of all ODJFS-licensed providers who responded to the

[2] The 2000 Ohio Market Rate Survey was conducted in two parts: a census survey of all ODJFS-licensed providers—centers, family child care group homes, and day camps—and a random telephone survey of the approximately 7,700 county-certified Type B family day care providers. The MRS does not address rates of providers who care only for the children of private pay parents in the providers' homes; indeed, the size of this segment of the child care market in Ohio is not known with any degree of unknown.

MRS. We hoped that by focusing solely on the population of licensed providers serving publicly-funded children, we would achieve a significantly higher response rate at least for that sub-group, and thus afford the research a greater degree of confidence when it speaks to the population of most interest. Obtaining an accurate count of the subset of providers of subsidized care proved to be difficult. ODJFS could not provide the number of licensed providers participating in the child care subsidy program, and an unduplicated count could not be arrived at from individual county records or from Question 1 of the County Survey.[3] At the request of LBO, in late-June the Ohio Child Care Resource and Referral Association (OCCRRA) reported that their agencies had counted the number of ODJFS-licensed providers who participated in the subsidized child care program; according to OCCRRA, 1,989 out of 3,516 licensed providers (or 56.6 percent) participated in the publicly-funded child care system. Applying this ratio to the 3,366 providers to whom the MRS was sent yields a total of 1,904 providers who participate in the subsidy program. Of the 1,736 survey respondents, only 1,432 responded when asked whether they served publicly-funded children (Provider Survey Question 6); 1,074 (75 percent of respondents) indicated that they served publicly-funded children. Thus, the survey response rate among licensed providers participating in the subsidized child care program was 56.4 percent (1,074 of 1,904 responded), only slightly higher than the 51.6 percent response rate of all ODJFS-licensed providers in the MRS.

Importantly, while this treatment did not improve our response rate among the target population as much as we had hoped, it did suggest that licensed providers who participate in the child care subsidy program responded to the Ohio 2000 Market Rate Survey at a rate similar to, although slightly higher than, that of licensed providers as a whole. Recent research has put in relief market rate survey methodology and practice, suggesting that some state surveys might underestimate market rates because they do not take into consideration that centers serving publicly-funded children—more likely to be located in low-income neighborhoods and to have lower rates for private-pay children—might be significantly more likely to respond to a survey of rates paid by the government for child care services than centers located in more affluent areas and more likely to charge private-pay parents higher rates.[4] In Ohio, the difference in response rates for the licensed providers in the subsidy system versus the population of licensed providers as a whole amounted to just under five percent. For LBO's purposes – reviewing child care payment procedures – this difference does not appear to be significant.

<u>Follow-up Telephone Survey of Non-Respondents</u>. Because the MRS response rate fell a little short of what was desired, LBO conducted follow-up telephone survey to determine if there were any systematic differences between respondents and non-respondents (see Appendix C). In July, we randomly selected 210 MRS non-respondents and contacted by telephone 123 members of this group. We asked each a series of questions identical to questions included in the census survey and intended to identify the respondent by type of center; type of business organization; by whether the respondent provided child care services solely; and by whether the provider served publicly-funded children. We tested the randomness of this sample by comparing the distribution of providers by county with the distribution obtained from state licensure records and found negligible variation (see Appendix D). The table below summarizes the characteristics of all MRS respondents and the non-respondents we contacted by telephone.

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[3] ODJFS licenses child care centers and funds county departments of job and family services (CDJFS), which in turn administer the subsidy to centers and other providers. The ODJFS child care licensing database does not include information on whether a provider serves publicly-funded children, information that reflects the business decisions of providers, the placement decisions of parents, and the contracting choices of counties—all of which are subject to change. CDJFSs can identify only those licensed and certified providers with whom *that particular* CDJFS contracts for child care services, but providers may serve children from one or more counties and, for a time, may do so without a contract.

[4] USA Child Care, "Conducting Market Rate Surveys: How Does Your State Rate?" (A.L. Mailman Foundation, March 2000). Other issues raised by this report include how the market is defined (for example, whether the unregulated as well as the regulated segment of the market is included); whether the survey has been piloted; corrected for potential sampling, measurement, or non-response bias; and the timing of the survey.

Characteristics of Mail Survey Respondents versus Non-Respondents				
	MRS Provider Respondents		MRS Non-Respondents	
License Type				
Family Child Care Home	62	3.81%	3	2.33%
Child Care Center	1485	91.16%	113	87.60%
Day Camp	9	0.55%	7	5.43%
Not applicable	73	4.48%	6	4.65%
	n=1629	100.00%	n =129	100.00%
Business Type				
For-profit, single location	415	25.02%	31	25.20%
For-profit, multiple location	218	13.14%	30	24.39%
Not-for-profit, single location	797	48.04%	43	34.96%
Not-for-profit, multiple location	229	13.80%	19	15.45%
	n=1659	100.00%	n =123	100.00%
Provide Services other than Child Care?				
Yes	595	37.00%	39	31.71%
No	1013	63.00%	84	68.29%
	n=1608	100.00%	n=123	100.00%
Provide Subsidized Care?				
Yes	1074	75.00%	90	73.17%
No	358	25.00%	33	26.83%
	n=1432	100.00%	n=123	100.00%

Source: Ohio 2000 Child Care Market Rate Survey; Ohio Legislative Budget Office Telephone Survey of MRS Non-respondents. Six providers reached by telephone indicated they were licensed both as Type C and Type D.

As the table illustrates, marked similarity exists between the chief characteristics of the non-respondents reached in the follow-up telephone survey and those of the providers who responded to the initial mail survey. Differences in distribution by license type and by business type are minimal and result from the mechanics and timing of the telephone survey. Because LBO contacted non-respondents in July, school age child care providers — who often operate out of schools, close for summer, and are overwhelmingly not-for-profit and single-location in nature — were not contacted, which resulted in a slight shift in distribution by business type. When corrected for this circumstance, the adjusted distributions vary insignificantly from the MRS distribution by business type. In addition, because LBO allowed telephone respondents to claim more than one license type (all who did so claimed to be both child care centers and day camps) the distribution by license type differs slightly from that obtained from the MRS. At the 95^{th} percentile confidence level, all results — save the variation in business type noted above — are well within margins of error, which range from +/- 1.3 percent to +/- 4.1 percent.

Interestingly, the telephone follow-up survey of non-respondents suggests that ODJFS may have overestimated the universe of licensed providers to whom the Market Rate Survey was sent and, as a result, unintentionally dampened the response rate. Fully 12.4 percent of the mail survey non-respondents that LBO attempted to contact by telephone could not be reached, in some cases because the telephone line had been disconnected, but in others because the program had been closed. Applying this rate to the 1,630 MRS non-respondents, as many as 202 of the addresses to which the MRS was mailed may have been in some way compromised. A recalculation of the response rate then would cause it to rise slightly to 54.9 percent (1,736 responses to an adjusted population total of 3,164 [3,366 – 202]).

Subsidized Child Care in Ohio

The Ohio child care subsidy program has grown steadily in the numbers of funding dollars, provider participants, and families served over the past 10 years. The program enjoys a level of stability unknown just a few years ago, a stability that affords state administrators and their partners in the child care industry and child advocacy community with the opportunity to bring attention and resources to bear on the lingering challenge of improving the quality of care children receive from all providers, within and without the publicly-funded system.

The Magnitude of the Public Investment in Child Care in Ohio

In Ohio, as elsewhere, growth in the interest in and funding for subsidized child care mirrored the growing attention to child care in general in the national media. Indeed, the magnitude of investment in public funds for child care in Ohio grew dramatically during the 1990s, including both expenditure-based and tax-based programs, and traditional subsidized child care as well as Head Start and wrap-around care offered through collaborative ventures between Head Start grantees and child care providers throughout the state. Because of our charge in this research project, we have focused only on child care direct services subsidized through the Ohio Department of Job and Family Services, excluding not only the investment in program administration and quality initiatives through ODJFS, but also the state's considerable investment in early childhood education and care made through the Departments of Education and Taxation and the administrative and quality investments made through ODJFS. Expenditures have increased from $180 million to $302 million, between federal fiscal years (FFY) 1997 and 1999 alone.

Child Care Expenditures by Funding Source, FFY 1997 – FFY 1999			
	FFY97	**FFY98**	**FFY99**
Child Care Development Fund (CCDF)	$165,450,834	$207,908,761	$213,892,850
Temporary Assistance to Needy Families (TANF)	$0	$29,416,442	$73,762,807
Title XX	$14,634,219	$15,000,000	$15,000,000
Total	$180,085,053	$252,325,203	$302,655,657

Source: ODJFS Office of Fiscal Services. Title XX expenditures amounts for FFY 1998 and 1999 are of funds advanced to the counties; actual expenditure amounts likely will vary. State funds for child care are spent through TANF and CCDF maintenance of effort; in SFY 1999, state spending accounted for 40 percent of the total.

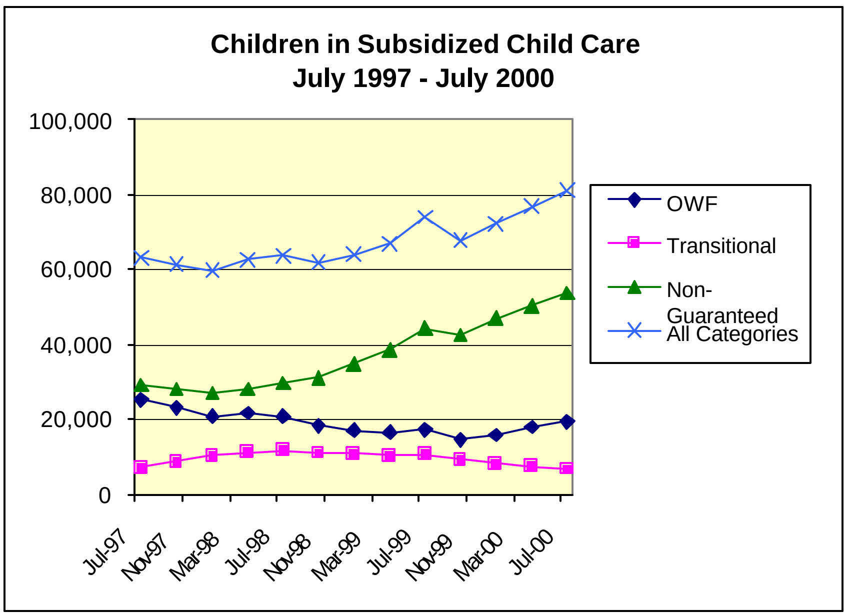
The lion's share of child care expenditures finance direct services. The federal Child Care Development Fund (CCDF) is the largest source of child care funding in Ohio as elsewhere and a breakdown of expenditures from it demonstrates the emphasis on direct service. It is important to note that most of the state maintenance of effort (MOE) dollars, although they were not reported by spending purpose until the middle of state fiscal year (SFY) 1999, pay for direct services. The table below also shows an increase in the share of CCDF funding directed toward quality services, which by federal regulation must amount to a minimum of 4 percent of fund expenditures. CCDF Quality services expenditures have increased from $5.7 million in SFY 1997 to $27.6 million in SFY 2000.

Child Care Development Fund Expenditures by Purpose, SFY 1998 - SFY2000			
	SFY98	**SFY99**	**SFY00**
Administration	1.0%	3.4%	3.0%
Quality Services	2.0%	6.8%	10.1%
Non-Direct Services	5.7%	4.0%	7.4%
Direct Services	59.6%	66.2%	70.2%
Maintenance of Effort	31.7%	19.5%	9.2%
Total	100.0%	100.0%	100.0%

Source: ODJFS Office of Fiscal Services, Federal Reporting Unit. MOE expenditures are recorded separately because until the January-March 2000 quarter, they were not broken down by purpose. As a result, MOE totals for SFY 1999 and SFY 2000 appear to be shrinking, when in fact they are being reported directly by purpose of expenditure (primarily direct services).

These expenditures have subsidized the care of a steadily increasing number of children. Since October 1997, Ohio has made the child care subsidy available to families at or below 185 percent of the federal poverty level (FPL) who meet employment and training participation requirements. In state fiscal year 2000, the eligibility period was expanded from six months to 12 months, unless the family ceases to be eligible for child care benefits. From July 1997 to July 2000, the number of children receiving subsidized care increased by 28.7 percent, from 63,168 to 81,303.[5]

Essentially, the publicly-funded child care program in Ohio subsidizes the care of children from three groups of families. Participants in the Ohio Works First (OWF) program, Ohio's Temporary Assistance to Needy Families (TANF) program, are guaranteed a child care subsidy to assist their participation in work or an approved work activity. As welfare caseloads have declined in recent years, the proportion of child care funding utilized by this population has declined also. Currently, children from OWF families account for 23.8 percent of the total number of children receiving subsidized care in Ohio. A transitional population of working families moving from OWF to self-sufficiency are also guaranteed child care assistance for a period of 12 consecutive months after leaving OWF, as long as their income does not exceed 150 percent of FPL. This group has remained relatively steady, currently accounting for about 8.2 percent of the total subsidy utilization. The third "non-guaranteed" group of families eligible for the child care subsidy are working families with incomes at or below 185 percent FPL who do not receive TANF-funded OWF cash assistance. Children from these families represent 46.5 percent of all children receiving publicly-funded child care. In addition, public funds are used to subsidize "protective" child care for children in emergency situations who have an open case with a public children services agency and to subsidize child care for children with special medical needs; protective and special needs child care accounts for less than two percent of the subsidy utilization.



Source: ODJFS NMR120RA. All categories also include approximately 2,000 children receiving protective or special needs child care.

On the tax side, Ohio provides a Child and Dependent Care Tax Credit to certain families. The tax credit applies to families with Ohio adjusted gross income less than $40,000 and is based in the federal child and dependent care tax credit. Taxpayers with Ohio AGI of between $20,000 and $40,000, who were eligible for the federal tax credit, may claim 25 percent of that credit as their state child and dependent care tax credit. For taxpayers with Ohio AGI less than $20,000, the state credit is 100 percent of the federal child and dependent care tax credit. In tax year 1997, the last year for which reliable data is available, 58,888 Ohio families benefited from the child and dependent care tax credit, a subsidy that amounted to $11,505,747.[6]

[5] Program guidelines established in law are at Chapter 5104 of the Ohio Revised Code. Utilization data is derived from the Ohio Department of Job and Family Services' Child Care Information System, Report NMR120RA.
[6] Ohio Revised Code 5747.054. Summary information is available in Table 1, "All Returns by Federal Adjusted Gross Income," on-line at www.state.oh.us/tax/stats/it_97.htm(August 14, 2000).

Two Constants

Despite the growth in magnitude, two conditions have held constant concerning the subsidized child care program in Ohio over the last decade. First, publicly-funded child care in Ohio has remained an employment and training related benefit rather than an entitlement program. Following federal program guidelines and in keeping with the prevailing winds of welfare reform, Ohio has conditioned access to the subsidy on the participation of an individual parent in an approved work activity or an employment training program, as well as on income level. This elemental characteristic of the subsidy program establishes the foundation of the current payment system and limits the discussion of alternative systems that would operate from an assumption that child care is an entitlement (like Head Start) or even a public good (like public education or defense).

Secondly, subsidized child care has focused on the costs of direct services as opposed to facility costs. Because federal finding guidelines prohibit the use of Child Care Development Fund moneys to fund capital costs, Ohio like many other states has directed the bulk of its child care investment in purchasing services for eligible clients rather than investing in facility expanding or improvement. In fact, to date the only funds available for facility renovation, expansion or construction have been certain Head Start moneys administered through the Finance Fund, a statewide non-profit corporation which provides technical assistance and gap funding to locally-controlled, community-based, non-profit organizations including Head Start agencies.

In addition to awarding pre-development planning grants to non-profit child care centers and Head Start agencies, the Finance Fund makes "linked deposits" that leverage private capital to finance child care renovation, expansion, and construction. In the linked deposit program, the Finance Fund provides deposits to lending institutions at below normal interest rates; in return, the lending institution agrees to discount or lower the interest rate on a specific, "linked" first mortgage loan being sought by an agency that seeks facilities improvement. The foregone interest on the Funds "linked deposit" reduces the debt cost to an agency and makes possible the financing of facilities expansion and quality improvement, in conjunction with other — often private — sources of project investment. Finance Fund management of these linked deposits, including accelerated interest payment and secondary market sales, allow it to turn around the initial investment and fund additional projects. Since 1996, Ohio has invested $3.6 million in the Finance Fund for child care capital projects, an investment the Fund has turned into more than $5.6 million in total linked deposits, which have leveraged $12.7 million in first mortgage loans for child care providers participating in Head Start collaboratives. According to the Finance Fund, the practical result has been to provide 121 state of the art classrooms used by at least 2,050 and perhaps as many as 4,000 children.

A State-supervised, County-adminstered system

Like many human services programs in Ohio, the child care subsidy program is a collaborative, state-supervised, county administered program. The Ohio Department of Job and Family Services (ODJFS) develops policies, drafts rules, provides technical assistance, licenses child care centers, and allocates funding to the counties which, in turn, determine eligibility, certify family daycare providers, administer the payment system, and otherwise implement rules and policies.

ODJFS uses three conduits to the counties to assist in supervising and advise in implementing the child care subsidy. First, ODJFS pursues regular communication with the Ohio Human Services Directors' Association and its child care committee, through a monthly update and attendance at meetings. Second, the ODJFS Bureau of Child Care Services offers technical assistance to the counties, fielding trouble-shooting calls from county child care administrators. And, third, the Daycare Advisory Council, a board of providers, child advocates, county officials and others provides input and counsels ODJFS concerning child care policies.

Snapshot of the Subsidized Child Care Industry in Ohio

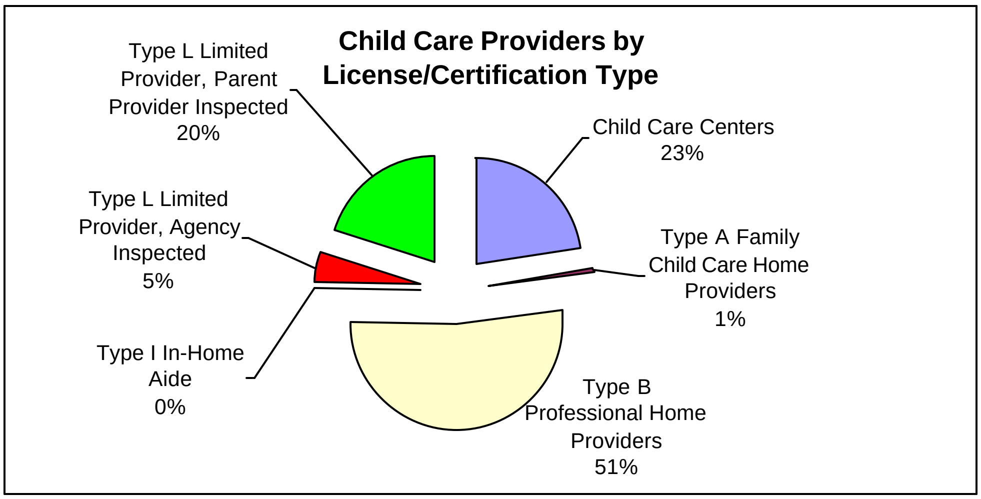
It doesn't take an economist to know that the supply of child care is segmented, or a sociologist to tell you that the world of child care providers is pluralist. Any parent will tell you, "Not all providers are the same." In

Ohio, as elsewhere, the child care industry is marked by a number of significant divides:

- Paid versus unpaid care
- Regulated versus unregulated care
- Center-based versus home-based care
- For-profit versus not-for-profit providers

The regulated supply of child care consisted of 14,857 providers as of July 2000. Just over half (7,737) of these are licensed Type B professional home child care providers who care for up to six children in the permanent residence of the provider. Child care centers in Ohio number 3,363 (nearly a quarter of the total number of providers). Providers who are certified Type L limited home providers include 2,984 who are parent-provider-inspected and 671 who are agency-inspected. There are also 77 licensed Type A family day care homes which serve between seven and 12 children in the administrator's permanent residence.

Child care centers and Type A family group homes are licensed by ODJFS. Counties certify, and Type L limited home providers and in-home aides. The distribution of providers is shown in the chart below.



Sources: ODJFS reports NMR120RA (7/19/00) and NRP510RA (8/14/00)

How the Child Care Payment System Works in Ohio

There are two principle components to any public child care payment system: the state rate and the mechanism for calculating and disbursing payments, or the payment process. In many states, the state rate is established through a market rate survey. A standard convention, dating from the Family Support Act of 1988, is to peg the rate to the 75th percentile as revealed in the market rate survey. Rates commonly vary within a state by child's age, type of provider (e.g., center versus in-home provider), and length or quantity of care provided (full- and part-time daily and weekly rates). In addition, rates may be supplemented by transportation subsidies and quality incentives. The payment process — how payments are calculated and disbursed — varies greatly from state to state and, in some cases, from county to county within a state. The length of care provided (in hours, days, or by week), adjustments based on the amount of care authorized or a change in eligibility status, any co-payment due from the parent (also subject to adjustment), and disallowed charges (perhaps, for example, an activity fee) are among the elements that affect the calculation of payment. State or county agencies may make payments, which may be disbursed through warrants or electronic fund transfer (EFT).

In Ohio, the state rate is determined through a market rate survey (MRS) that the Ohio Department of Job and Family Services is required to conduct every two years. In 1996, the then-Department of Human Services conducted a mail survey of all licensed providers and a telephone survey of a sample of certified home child care providers. The rate was reviewed and updated in 1998 and another market rate survey was conducted in 2000.

Counties may seek waivers to pay above the state rate, subject to ODJFS approval. The state rate is actually a collection of rates or "reimbursement ceilings." Rates are set according to age (infant, toddler, pre-school, and school-age) and expressed in full-time and part-time weekly rates and hourly rates. Providers may seek reimbursement for the providers "normal and customary charge" up to the state rate and county departments of job and family services may negotiate a rate with a provider that is lower than the state rate. Under the rate structure, each family also is assessed a copayment based on family size and the family's gross income, and capped at 10 percent of the family's monthly income.[7]

In Ohio, the method of calculating payments varies from county to county, with some themes repeating in multiple counties. In two counties (Cuyahoga and Hamilton), providers return completed county-generated vouchers to seek reimbursement; in Hamilton County, the vouchers apply to a two week period, are generated by child and include the hours of authorized service. Cuyahoga County uses monthly vouchers which providers return with a summary sheet when seeking reimbursement. In 86 of the 88 counties, providers complete and submit invoices or billing summaries generated by the county when seeking reimbursement. Generally, invoices and vouchers must include identifying information for children and family, a record of hours and days of service, and parent and provider signatures. Some counties require providers to return attendance sheets, which in some counties are substitute for an invoice, and require that providers collect parent initials each day when service is provided and or a parent signature at the end of the month. Not all invoices include a billing total; in some counties, providers submit invoices of hours of service, and county staff calculate the providers reimbursement.[8]

Once an invoice or voucher is received at the county office, staff must verify and may adjust invoices or vouchers before authorizing payment to a provider. Staff verify the rates used and the accuracy of the payment calculation or, in some cases, calculate the payment themselves; in all counties the payment is checked to ensure that the appropriate parent co-pay fee is used and included in the payment calculation. County workers also verify eligibility, check that the services provided were during authorized hours and did not exceed total authorized hours, and verify absent days. County staff also check for and verify the accuracy of provider information, family and child information on the billing forms. The particular steps in the verification process and the extent to which they are applied vary from county to county. In most counties, verification also includes check for the presence of a parent initials and signatures. County staff may adjust invoices and vouchers as a result of the verification process and authorize a payment amount. The county auditor's office, then, issues a warrant for the authorized amount, with the approval of the county commissioners, and either the auditor's office or the CDJFS sends the checks to the providers. The magnitude of this effort can be gleaned when one considers that more than 800,000 invoices or vouchers are handled annually in Ohio.[9]

County and Provider Evaluations of the Current Payment System

LBO began this project by trying to understand how providers and county administrators both experienced the payment system. Early on, we met with providers and advocates and compared their concerns with comments from county staff. Providers told LBO the payment system was not working well and that it placed some number of providers in financial jeopardy because payment was not timely and accurate. They told us that many providers were forced to assume case management functions (e.g., reminding parents to prepare for redetermination reviews) that they felt properly rested with county officials and that, in order to reconcile their invoices, they expended enormous administrative effort. County officials we spoke with early emphasized that the child care payment system was sound, but acknowledged that delays in payment might occur for reasons related to poor communication between case workers and fiscal staff or delays imposed by the fact that child care reimbursement checks are disbursed from the county auditor's office with approval of county commissioners

[7] The Ohio Administrative Code at Chapters 5101:2-16-39 and 5101:2-16-41 outlines the copayment requirement and rate structure. Payment system requirements are established in the Ohio Revised Code at Chapter 5104.35-5104.39.

[8] Thirty-three counties use the Certificate of Authorized Payment (COAP) voucher, primarily when the provider selected by the parent is either outside the county and/or does not contract with the county, or when a family first receives the subsidy. Because of the degree of variation from county to county, it is difficult to summarize the billing process. This description is based upon telephone and in-person conversations with county officials and responses to the county survey.

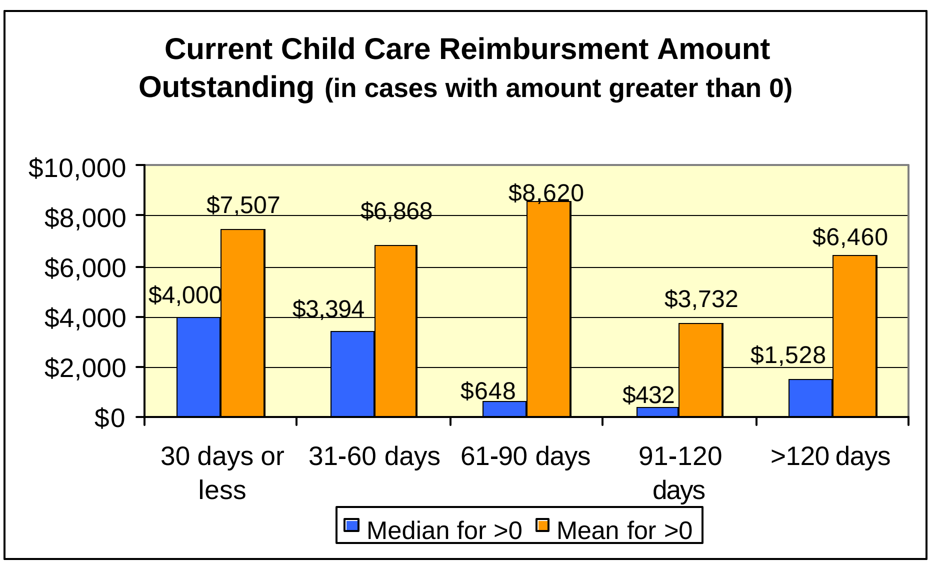
[9] In our survey, seventy-two counties indicated that they processed more than 800,000 invoices/vouchers in SFY 1999.

required. Our survey questions were informed by these concerns and we asked licensed providers and county officials a number of similar questions. The survey results, along with our meetings and conversations with providers and county administrators, revealed a difference in perception concerning the existing payment system.

County officials responding to the survey, for example, indicated that more than 90 percent of all invoices/vouchers submitted during SFY 1999 were processed within 30 days of receipt; in fact, 54 counties indicated that all of their child care bills were paid within 30 days. On average, counties told LBO, it took 7.4 days to process a child care invoice/voucher from receipt to the point of approval and 11.3 days from date of approval to date of check issuance; in all, counties estimated that child care reimbursement took 18.3 days during SFY 1999. When asked to rate the child care payment system on a grading scale like that used in schools, counties recorded a collective grade of "B" (2.96 on a 4.0 scale).

Licensed providers responding to the survey offered a somewhat different evaluation. Sixty-one percent of those participating in the subsidized child care program indicated they were paid within 30 days, and nearly 92 percent within 60 days, suggesting that the regularity of payment is not a problem from the licensed provider's perspective. The timing of payment seemed to be of greater concern to Type B home providers with whom we met in a series of focus groups. Home providers expressed dissatisfaction with not knowing the *exact day* when their reimbursement check would arrive in the mail. Even in counties where the home providers acknowledged payment fell regularly within a particular *week* of the month, there was a strong desire for the county to make payments on a specific date. This concern suggests Type B home providers have a mixed view their relationship to the county agency, as vendors who have some of the expectations of employees. Indeed, in focus groups, home providers regularly referred to the reimbursement payment as a "paycheck."

Licensed providers responding to our survey indicated that 70 percent of invoices/vouchers were paid within 30 days (rather than the 90 percent recorded by county officials). However, 31 percent of licensed providers said that none had been paid in that time period. We asked licensed providers to date their accounts receivables with the county. While nearly half of all providers indicated that they had no outstanding invoices with county, a sizable minority of providers recorded outstanding invoiced amounts in the thousands of dollars. The chart below depicts the mean and median values of the current outstanding reimbursement amounts for those providers who reported an amount.



The survey also attempted to learn if their experience with the current payment system contributed to the financial difficulties that some child care providers have observed plague their industry. Of 1,021 licensed providers who responded to this question, 290 (28.4 percent) indicated they had experienced a "cash flow crisis" within the previous 12 months as a result of the county not paying invoices within 30 days of billing. The following table outlines the steps taken by these providers to such crises.

Steps Taken to Meet Cash Flow Crises by 290 Licensed Providers	
Established a line of credit	35.5%
Go without paying the director or staff	26.2%
Used a personal credit card	25.5%
Secured a loan	18.3%
Delayed paying bills	15.2%
Borrowed from friends/family	8.6%
Sought out donations	3.8%
Delayed paying payroll taxes	1%

When asked to rate the child care payment system on a grading scale like that used in schools, it is perhaps not surprising that licensed providers in our survey gave lower marks than county administrators. Licensed providers recorded a collective grade of "C" (2.38 on a 4.0 scale).

Payment Adjustment and Provider Concerns

It is important to note that these questions did not specify whether payment was made in full or in part. In fact, we asked counties to identify what percentage of invoices/vouchers were *rejected* (only three percent in SFY 1999, the counties reported), when common practice it turns out is to *amend or adjust* the bill in order to make payment in a timely fashion. Neither the provider nor county representatives with whom we shared drafts of the surveys identified this shortcoming; however, it is in this verification and adjustment stage of the payment process that the differing interests and assumptions of provider and county representatives are brought into relief.

Much of the concern of providers with the current payment system appears to stem from this adjustment process. In meetings with LBO, providers from both the center-based and family-home segments of the industry outlined four principle areas of concern with the payment system:

- The rate is insufficient to cover costs, a sentiment shared by several county administrators;
- Providers are exposed to risk of non-payment or suffer delayed payment for child care services provided to children while their parents await eligibility determination;
- Reimbursement is not made, or made only after considerable time and effort is invested on the provider's part, for services provided at times outside of authorized hours when there is a change in the parent's work or training schedule; and,
- Providers are exposed to risk of non-payment or suffer delayed payment for services provided when there is a change in the eligibility status or copayment schedule for a family.

While estimates of the *price* of child care abound, there has been little empirical research on child care *costs*. To the extent that the state rate is pegged accurately to the 75th percentile of rates in the child care market as a whole, dissatisfaction with the state rate is a corollary to dissatisfaction with the going rate for child care services in the market as a whole. Our review of child care payment procedures suggests that the application of the rate may affect the evaluation of the current payment system as much or more than the level of the rate itself.

The three other areas of concern — relating to eligibility and authorized hours — are rooted out in the adjustment process. There, provider invoices for actual services rendered are subject to amendment for a variety of reasons, which may increase as well as decrease the reimbursement amount.

<u>Eligibility Determination and Providers' Uptake Risk</u>. Nearly half of all licensed providers — 45 percent of those responding to the survey question — make the decision to provide care for children whose parents are awaiting formal determination of eligibility for the child care subsidy by the county. From the county perspective this is solely a business decision of the provider because they make clear to providers that the county will not

honor reimbursement until eligibility is formally determined; to extend care without a formal determination, counties emphasize, is to assume voluntarily the risk of non-payment if eligibility is denied. Providers appear to have heard that message, but a large portion of them continue to offer services without a formal notice of authorization from the county.

In most cases it appears that the family eventually is determined to be eligible and reimbursement is made. Providers reported that on average 4.5 percent of children whom they served while awaiting an initial notification of eligibility from the county turned out not to be eligible. In those cases, payment for services rendered cannot be reimbursed — although some counties contacted by LBO indicated they do reimburse in such cases — and providers must seek payment from parents with little hope of recouping costs given the financial circumstances of families seeking the subsidy. Of the 514 licensed providers who extend care in the absence of a formal authorization by the county, 405 said they attempt to obtain payment from parents in such cases.[10]

From the provider perspective, however, even when eligibility is determined favorably, they have to front the costs of care during the determination period: Service is provided, but payment is delayed (or denied). From the county perspective, prior to a formal eligibility determination, no commitment has been made to reimburse, indeed no reimbursable service has been provided.

When LBO asked providers in focus groups and informally "Why do you assume this risk?" they offered a variety of answers. Some claimed that they did so with informal approval — a call from a case worker — from the county or because, having handled the parent's eligibility application themselves, they felt they knew the parent would be determined eligible, and most of the time they are right. Some providers also told us that part of their organization's mission was to assist needy families, and to turn away a parent seeking child care services under such circumstances would be contrary to their mission. Providers also emphasized that it is difficult to turn down a desperate parent who needs child care in order to start work or attend classes.

Regarding eligibility determination, the perceptions of providers and counties differed markedly. Counties are required to make eligibility determinations within 30 days. While 42 percent of licensed providers estimated that the CDJFS took less than two weeks to complete a determination, 25 percent said their county usually took four weeks or more to determine initial eligibility. Counties estimated that on average it took 9.3 days to determine an applicant's eligibility, more than half of the time (53 percent) they indicated determination is made in one day. As one county administrator put it, "If we have all the information, we can do it one day if child care is immediately needed." Nearly half (48.6 percent) of licensed providers, however, felt that it usually took the county between two and six weeks to determine eligibility. On this issue, as with so many others relating to the child care reimbursement process, to some extent both providers and county administrators are at the mercy of the behavior of the parent applicant to complete the application, to assemble required documentation, and to submit the application materials in a timely fashion.

The Child Welfare Reform Shareholders Group, convened by the Ohio Department of Job and Family Services, has recommended a period of "presumptive eligibility" be established for new applicants for the child care subsidy, during which counties can make reimbursement for child care services provided for a child whose family eligibility determination has not been completed.[11] According to the U.S. Department of Health and Human Services, CCDF funds can be expended for such a period of time on the verbal commitment of a parent, pending documentation. This step would reduce the risk to which providers are exposed when they provide child care services while awaiting the determination of a child's eligibility.

<u>Authorized Hours</u>. The billing process can involve discrepancies even in cases where the parent's eligibility is established and not in question. Use of the subsidy is authorized for particular hours — when the parent is at work, or in training or commuting — and services provided outside of those authorized hours are not reimbursable. When parents' work or training schedules change, they are supposed to notify the CDJFS so that change can be noted before the next billing period and providers can claim reimbursement. In a few counties,

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[10] We asked for the approximately monthly average of losses associated with this practice, but survey responses indicated an improbable monthly average of $804, suggesting the question was not clearly communicated.
[11] Child Welfare Shareholders Group, Report to the Ohio Department of Human Services (June 2000), p. 27.

providers can contact the CDJFS within a particular time-frame and request an authorization for the different hours, subject to the CDHS' approval. Once again, the effectiveness of the payment system is subject to the performance of an act by the otherwise eligible parent: prompt notification of the schedule change to the CDJFS office.

From the perspective of the counties, this arrangement allows for schedule changes, but with some measure of control so that the parent does not misuse the subsidy. From the providers' point of view, however, it makes reimbursement for services provided subject to an additional condition usually outside of their control. They emphasized in focus groups and meetings that for many parents receiving subsidized child care, schedule changes are common and that it is not always easy for these parents to make contact with their case worker soon enough to ensure that the authorized hours are changed and that the provider's invoice will go through without a hitch.

In some counties, the unit of accounting is full- and part-time days, and total hours. While authorized hours are still checked, and reimbursement disallowed for services provided outside the established time-frames, payment is calculated on full- or part-time days or weeks. In Franklin County, for example, once a licensed provider has provided 25 hours of child care services in a week, they receive the full-time weekly rate. Thus, a provider who invoiced for 40 hours and had 10 hours disallowed, would not notice a difference in payment. This arrangement, intended to ease the administration of the reimbursement, is not used everywhere, however.

Change in Eligibility. During SFY 2000, the counties began to implement a 12-month eligibility period. Prior to that, counties were required to redetermine eligibility for families receiving the child care subsidy every six months. When there is a change in eligibility status there is a change in the conditions of the subsidized exchange between child care provider and the CDJFS. If eligibility is denied, reimbursement is not allowed; if the terms of eligibility change because of a change in family income or size, the parent copayment amount and the county subsidy amount will change. In both cases, if a provider is not effectively informed of the change, they may provide child care services that will not be reimbursed fully (if the parent cannot pay the new copayment amount) or at all.

Survey responses indicate that county administrators and licensed providers evaluate differently the effectiveness of communication of changes in eligibility status. Seventy-three counties (88 percent of the respondents) indicated that they notify providers of the termination of eligibility "immediately," another five counties did so within two weeks. Only 30 percent of licensed providers responding to the survey indicated that notification was immediate; 39 percent said it took more than two weeks and fully 13 percent indicated that the CDHS never informs them of a decision to terminate eligibility.

Counties stressed to us that all providers are notified of the end date of the period of eligibility, because it is included in the formal notification of authorization. In some counties, the redetermination date is included on each county-provided billing roster sent to providers. In Hamilton and Cuyahoga county, the agency reported that it does not notify providers of termination, "but a parent no longer has a voucher to bring to the provider" and providers are trained "to not provide care if the parent can not supply a voucher." But many providers feel that the one-time listing of the redetermination date on the notification of authorization is ineffective. They emphasized to LBO that the redetermination date does not necessarily mean the end of reimbursable service, if the family meets the conditions of the review, and to deny a parent continued child care services in order to determine the outcome of the eligibility review shifts all parties away from the goals of assisting parents' transition to work and self-sufficiency and stimulating child development. Some providers told us they feel incumbent to remind parents of the redetermination deadline and offer their assistance in getting the paperwork into the CDJFS, in order to maintain continuity of care and assure that they are fully reimbursed for services provided. Here, again, the ability of the payment system to meet provider and county expectations is dependent upon the performance of parents, namely in submitting redetermination materials on time.

Frequency and Other Sources of Adjustment. How frequently child care invoices/vouchers are snagged and adjusted for these and other reasons is unknown. Our survey demonstrated that statewide only three percent of provider billings are *rejected* because the county considered them inaccurate or incomplete. Most counties appear not to track this information and adjust rather than reject the invoice. Lucas County, for example, reported that "About 50% of all invoices contain errors, both minor & major. However, we work with the vendor to correct [the errors] without returning [the invoice]." In the survey, counties did indicate the leading reasons for rejecting invoices/vouchers, which may suggest the leading reasons for *adjusting* them also. Counties reported 28.2 percent of rejected child care invoices were rejected because they claimed reimbursement for child care for ineligible children; 21.1 percent because they were submitted incomplete; 16.3 percent because they claimed reimbursement for care provided for eligible children but during unapproved times. In some counties, incomplete invoices may be lacking parent initials or signatures.

Summaries of payment histories for a Type B home provider and a center in Allen and Franklin counties included the following sources for correction: math errors, changes in hours, incorrect rates or copayment amounts, discrepancies related to whether full- or part-time care was provided; miscoding child information; and discrepancies related to eligibility status. In both cases, the CDJFS made corrections both in its favor and in the provider's favor. In Hamilton County, where child care invoicing is accomplished through the use of two-week vouchers that, for licensed providers, are preprinted with the authorized days and times, adjustments and payments for previous days of service occurred on fewer than 300 out of every 100,000 vouchers the agency processes. At the same time, both state and county administrators admitted that in some counties at some times, staffing pressures are such that some or all of the invoices will be processed without complete verification.

<u>Addressing Discrepancies Arising from Adjustments</u>. If the result of the verification process is a downward adjustment in the amount billed by the provider, the provider may choose to challenge the discrepancy or not. If the provider chooses not to challenge the discrepancy or is challenges it unsuccessfully, they end up passing on to private pay families the burden of that cost of care already provided. If they challenge a discrepancy between amount invoice and amount reimbursed, providers told LBO, they face added administrative costs because in many counties no explanation is offered for why the amount in the auditor's check differs from the invoiced amount and/or there is no clear route for effectively resolving such issues. The Montgomery County Department of Job and Family Services includes a form, akin to an explanation of payment, with mailed reimbursement checks that identifies the cause for any adjustment. Many providers claimed that CDJFS telephone lines are busy, voice-mailboxes are full, and their calls too often are not returned. Part of the problem is identifying the right person to call. In 22 counties, CDJFS staff and child care providers meet regularly to discuss the performance of the payment system. Still, the process of resolving payment discrepancies can drag on for long periods. Both providers and counties told LBO of reimbursements being paid in Spring and Summer 2000 for services rendered in 1998.

The Lorain County Department of Job and Family Services established an emergency fund to assist providers in the event of a county error that shorts or delays their reimbursement. The account, funded with a one-time $10,000 deposit from the CDJFS, is administered by the Child Care Resource Center (the local resource and referral agency). In an average year county administrators estimated that between 20 and 30 providers receive checks from the account — the largest ever for $2,000 — to make up for errors or delays in county payments resulting from a billing problem, agency error, or DHS worker error. In such cases, county staff request a loan check from the R & R agency and, at the same time, request a reimbursement check from the county auditor's office. The R & R is able to get the loan check to the provider quickly, while the check from the auditor's office may take two weeks to be generated and mailed. Upon its arrival, it is either signed over to the R & R agency, which deposits it in the emergency fund. In a typical year, county officials estimate, between $15,000 and $20,000 rotates out of the account and returns, tiding providers over who might otherwise have to wait until the next billing cycle for the county to amend its mistake.

Differing Assumptions and Interests in the Publicly-funded Child Care Exchange

Our conversations with providers and with county officials continued after the survey was mailed. In these meetings, we were struck by the dissonance we heard as county officials generally sung the praises and providers generally bemoaned the shortcomings of the current payment system. The difference in view appears not only to be a function of differing interests, but also of different assumptions about the nature of the exchange involved in subsidized child care.

To begin with, while both county officials and child care providers understand that the child care subsidy is a program that serves two public policy masters, workforce development and early childhood development, they do not always defer to the same master. For providers, generally speaking, the principle beneficiary of the subsidy is the child – who is placed in their care and is the raw material, if you will, of their industry. For county administrators, the principle beneficiary of the subsidy is the parent – whose work or training activity is a condition of eligibility and whose movement toward economic self-sufficiency is a benchmark against which county and state operations are gauged. In practice, this means that what the parent is doing while the child is in care is relatively speaking of greater interest to county officials than to providers. It explains, in part, the frustration of providers whose invoices may be disallowed in part or in whole by county administrators who, while not wholly without empathy, see nothing out of the ordinary or inefficient in making such adjustments. For providers, once the service has been provided, payment is expected as it would be from private-pay parents; for county officials, child care services rendered do not and should not necessarily equate with services reimbursable.

In addition, many providers and county administrators view the economic exchange that is publicly-funded child care differently. Put simply, counties think in terms of hours of care for children of people at work or school; providers think in terms of child care slots for parents whose activities they otherwise do not monitor. County administrators, in keeping with their focus on workforce development and governed by state and federal eligibility requirements, purchase hours of child care service (either particular ones or a maximum per day or week) for children of eligible families, hours which they may purchase by full- or part-time days. Child care providers, in keeping with their focus on early childhood development and governed by state licensing or certification requirements that specify a maximum child-to-staff ratio, manage child care slots that they may sell in units of months, weeks, days or hours. Consequently, the unit of service that is managed and sold by one party to the publicly-funded child care program may not always be the unit of service purchased by the other party. This difference in assumption about the unit of service being exchange through subsidized child care appears to underlie much of the dissatisfaction providers expressed to us. To the extent that the verification process and downward adjustments to provider billings that stem from it occur, they tend to put into relief these different assumptions about the unit of service.[12]

Survey results suggest that the provider experience with child care payment procedures may also affect the supply of subsidized child care. We asked private-pay only providers “Why do you not offer subsidized child care?” and 23.7 percent of the factors they identified related to the payment system, including disparity between the rate and actual costs, additional paperwork, delay in receiving payment, and the inadequacy of the unit of service as factors that prevented them from considering or continuing to offer subsidized care.[13] These providers also mentioned a variety of other factors including unfamiliarity with the program and lack of consumers expressing an interest in it.

The Final Rule for the Child Care and Development Fund notes that “A system of child care payments that does not reflect the realities of the market makes it economically infeasible for many providers to serve low-income children — undermining the statutory and regulatory requirements of equal access and parental choice. …Similarly, failing to compensate providers timely or not reimbursing them for days when children are absent also causes providers to refuse care to children with subsidies.”[14] In Ohio, the child care payment system requires providers to account for care by the hour and, in some cases, to sell care by the hour. The current payment system permits counties to adjust invoices downward — even when there is no question whether child care services were rendered for a particular child — because the child’s parent failed to meet a programmatic requirement such as notifying the county of a change in schedule. Few government-vendor relationships are structured in this way.

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[12] There is little academic literature available on this topic. The best overviews of the economics of child care are John Blau, *The Economics of Child Care* (1990) and The Council of Economic Advisors, “The Economics of Child Care” (1997).
[13] Of the 358 respondents who indicated they did not participate in the subsidy program, only 110 (30.7 percent) offered explanations for that business decision, but their comments are illuminating.
[14] 45 CFR Parts 98 and 99 in *Federal Register* (July 24, 1998), p. 39958.

Vendor Payment in Other Ohio Programs

LBO looked within Ohio for programs with similarities to publicly-funded child care. We found no established programs that paid vendors in advance of service. However, a school-age child care demonstration project, financed by unspent Child Care Development Block Grant funds and administered through local school districts, used a prospective payment arrangement with some success. Also, the Medicaid long-term care program included a prospective rate and consideration of facility costs, in a system that offers automated payment. The Head Start program involves up-front awards to designated grantees for the annual provision of services. While each of these programs offers a positive example in public administration, there are significant factors that mitigate against their application as references for a prospective payment system for Ohio's child care program.

Annual Contracts: The Head Start Program

This well-known, federally-funded grant program in the Ohio Department of Education (ODE) funds early childhood care and education services and, in recent years, has emphasized collaboration with traditional center-based and in-home child care. According to ODE, Head Start will benefit 57,684 children and families during SFY 2000-2001. Head Start grantee agencies apply for two-year grant awards and may subcontract with particular care providers including child care centers. Costs vary from grantee to grantee and funding is parceled out quarterly as detailed in the grant proposal. Reconciliation is accomplished through quarterly reports, detailing enrollment and fiscal status, and through an official head-count taken in December. If the head-count is below 97 percent of that which is anticipated, ODE takes action to adjust funding and the amount of the quarterly advance.[15]

Although Head Start and child care share a similar population — needy children under five — the programs differ in several fundamental ways. Head Start is, first and foremost, an early childhood education program. Housed in the Ohio Department of Education, it's primary beneficiaries in Ohio, as elsewhere, are children of needy families whose participation in Head Start affords them the stimulating environment and developmentally-appropriate educational experiences that their family income and circumstances might not otherwise make available. As such, eligibility is not conditioned on the work or training activity, or any other behavior of a parent. Consequently, Head Start is not subject to the same kind of verification and adjustment process that is prevalent in subsidized child care. In fact, in Head Start and Child Care collaborative efforts, county reimbursement procedures have posed a challenge for Head Start grantees who are used to receiving funding in advance and without day-to-day reconciliation with actual attendance.[16]

Day Care of a Different Kind: The Adult Day Care Program

The Ohio Department of Aging's (ODA) Adult Day Care Services Program, a community-based, long-term care option for elderly Ohioans in need of non-residential therapeutic programs, provides health care, nutrition, and recreational activity in some nursing home facilities and non-profit centers. In fiscal year 1999, ODA funded more than 200,000 units of service to more than 3,000 clients, using combined funds of $9.5 million. ODA finances the program through two different funding mechanisms. PASSPORT, a home care Medicaid waiver program, provides reimbursement for clients who meet the medical requirements for Medicaid nursing facilities and thus tend to be very frail. In addition, ODA reimburses providers for adult day care services pursuant to the Older Americans Act (OAA). OAA programs are not entitlements (as is Medicaid) and the rates are set regionally through a competitive bid process. Importantly, recipients of OAA-funded services may be less impaired than PASSPORT clients; often, clients across the program are mobility-impaired.[17]

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[15] ODE Education Consultant Pat Vaughn, Memorandum on Head Start (June 29, 2000).

[16] ODE Education Consultant Pat Vaughn, June 20, 2000 telephone interview.

[17] ODA, Senior Services Desk Reference and Benefits Guide (February 1999), p. 6; ODA, Policy and Procedures Manual, Appendix C; Ohio Legislative Budget Office, Redbook Analysis of the FY2000-2001 Operating Budget for the Department of Aging; ODA, "Ohio Caregivers: A Summary of Focus Group Findings," [1999].

Reimbursement occurs per unit of service on two levels, depending upon the needs of the person receiving services. Depending upon the recipient's level of acuity, the provider receives either the enhanced or intensive rate. This two-tiered rate, corresponding to a client's level of acuity, parallels the child care rate scheme based upon child age. However, in the adult day care services program a unit of service is defined as eight hours of care per day, but the program accounts by half-units of five hours per day. There is no accounting for which particular hours service is provided. Since March 2000, the program has reimbursed at an hourly rate for care in excess of 10 hours per day. For example, ODA pays $40 at the enhanced level for a full unit of service (eight hours of care in a day); ten hours of service would warrant a $50 reimbursement. One rate schedule, informed by a Brandeis University review of similar programs in other states and a small survey, applies statewide. ODA reimburses separately for transportation in addition to the rate paid to the provider. Because Medicaid does not pay for these services normally (outside the context of a waiver), PASSPORT is the large-scale purchaser of adult day care services in Ohio.

Case managers authorize a set number of units of service per week or month. According to ODA, it is "very rare" that the number of units authorized equals the number of units of service provided. Vendors know that for service to be reimbursable, it must be authorized in advance; thus, one agency official explained, "we're basically paying for a few units less" than the number authorized. ODA maintains that adjustments are "really rare in our system," which makes sense because participation in the program is not dependent upon a behavior of the client or the client's family—as is the case with the work activity or employment training requirements of parents whose children receive subsidized child care—but rather on family income and client's medical condition.[18]

Also, unlike child care, adult day care payments are centralized. Vendors submit invoices to the state agency, which makes monthly payments. Adding to the standardizing effect of this centralized payment system, the nursing homes that are adult daycare service providers tend to be very large operations, according to ODA.

Monthly Reimbursement with a Twist: The Child and Adult Care Food Program

This federally-funded program administered through the Office of Child Nutrition Services in the Ohio Department of Education (ODE) subsidizes the cost of meals and snacks to children in certain licensed child care centers (including Head Start), in family and group child care homes for preschool children, and in afterschool programs. The program, with $45 million in annual funding, reimburses approximately 700 child care centers directly, and several thousand home child care providers indirectly through 26 sponsor agencies. Reimbursement is calculated using three different meal rates based on the family income of the child and, for home daycare providers, in two tiers depending upon whether their family income is above or below 185 percent of FPL. Sponsors and centers submit claims early in the month following the claim period. In order to speed the sponsors preparation of the claim for reimbursement from ODE, family daycare home providers are permitted to complete claims forms in advance of the end of the claim month. ODE has 45 days to process the claim, but currently averages about two weeks. Sponsors are required to disburse funds to their affiliated home providers within five days. Claims are processed weekly and all providers have up to 60 days to submit a revised claim, typically because the initial claim contained a math or other error or a miscount. As in the case of Head Start, payment of the subsidy money is not dependent upon the behavior or program participation of the parent.[19]

Prospective Rates and Automated Payment: Medicaid Long-term Care

The ODJFS Medicaid long-term care program includes prospective rate-setting and automated payment for nursing facility (NF) reimbursement. In FY 1999, monthly average head count was 58,825. The rate is set prospectively, to anticipate increases for the year following the rate adjustment, and is structured to contain growth in prices. The rate structure also includes four cost centers: direct, indirect, capital, and other protected

[18] Roland Hornbostel, ODA Planning, Development and Evaluation Unit Chief, interview June 20, 2000; John Capitman and Mark Sciegaj, Ohio Department of Aging Adult Day Service Reimbursement Study, January 29, 1998.
[19] Food Research and Action Center, *State of the States: A Profile of Food and Nutrition Programs Across the Nation* (December 1999); interview with Kathy Voorhees and Laura Pernice, ODE Office of Child Nutrition Services, June 2000.

services. Each of the 900 participating nursing homes has what amounts to its own rate that takes into account the level of acuity at each facility.[20]

The payment process works in reverse to that operating with the child care subsidy. Rather than have nursing facilities submitting invoices, the Medicaid long-term care program generates a payment. ODJFS calculates a monthly payment by multiplying the number of covered bed-days by the facility's rate. The process assures predictable payment by check or electronic fund transfer, but the reimbursement may not necessarily represent the precise services provided by that facility in that month. Although reimbursement is not conditioned on the behavior of a third party as is the case with child care, a large number of adjustments must be made each month. These adjustments fall into three large categories: "dead days," which are not paid; leave days, which are not paid unless the patient has left the home for hospitalization in which case 50 percent of the rate is paid for to 30 days, to hold the bed; and lags in eligibility determination in cases when the patient has already arrived at the nursing home. Nursing facilities are responsible for timely notification of death and leave days to ODJFS, which is responsible for updating the online management system. Payment arrives with an explanation of benefit, and nursing homes may file claims for adjustments to their payment. The payment process is centralized at the state level and managed through a uniform set of forms and procedures.[21]

Urban School Initiative School Age Child Care Project

During the 1998-1999 school year, 3,000 school age children participated in the Urban School Initiative School Age Child Care (SACC) Project under the management of the Ohio Hunger Task Force. Using $9.7 million in unspent Child Care and Development Block Grant funds, the project developed a prospective payment arrangement using 17 local school districts as administrative agents for 125 centers across the state. Eligibility was limited to children whose families had incomes at or below 185 percent of FPL.

"The [publicly-funded child care payment] system forces providers into a different way of thinking about child care and the unit of service," Dianne Radigan, Associate Director of the Ohio Hunger Task Force, told LBO. In designing the prospective payment system used in the project, Ohio Hunger Task Force "tried to make it a little simpler than trying to get from every provider every hour for every child," Radigan said. "That would be very difficult." Instead, the highest of three head-counts taken at the beginning of each month was used to calculate payments, followed by spot visits. Payments were made directly to school districts and the to service providers. A special rate was negotiated with providers and payment calculated in increments of less than three hours, three to five hours, more then five hours, and more than eight hours.

While the project succeeded in establishing SACC programs, the old CCDBG funds ran out after one year and the Ohio Hunger Task Force has been working with school districts and CDJFS' to transition the programs to the state child care subsidy program.

Importantly, this project recognized that providers managed slots as a basic unit of service. "If they [the provider] thought there were 20 kids enrolled, they had to have staff for that. So we recognized that – whether they [children] attended or not – the payment had to be made to be fair to providers," Radigan explained. To apply this model to the statewide subsidy program, however, would mark a sea change in the nature of the child care subsidy, moving it away from the work and training related benefit that it currently is, and toward something like an entitlement program. While local school districts adapted well to prospective payment in the SACC project, it is not clear that the CDJFS' could replicate that success given the strength of their negative evaluations of the various prospective payment systems proposed in the survey.

Alternative, Prospective Payment Systems

In both the provider and the county surveys, we asked these two parties to the child care reimbursement process to evaluate eight alternative payment arrangements, five of which involved some form of prospective

[20] "Prospective Reimbursement Methodology for NFs" at www.state.oh.odhs/medicaid/bltcf/nysystem.stm (June 14, 2000).
[21] Interview with Lisa Walsh, ODJFS Office of Medicaid, June 14, 2000.

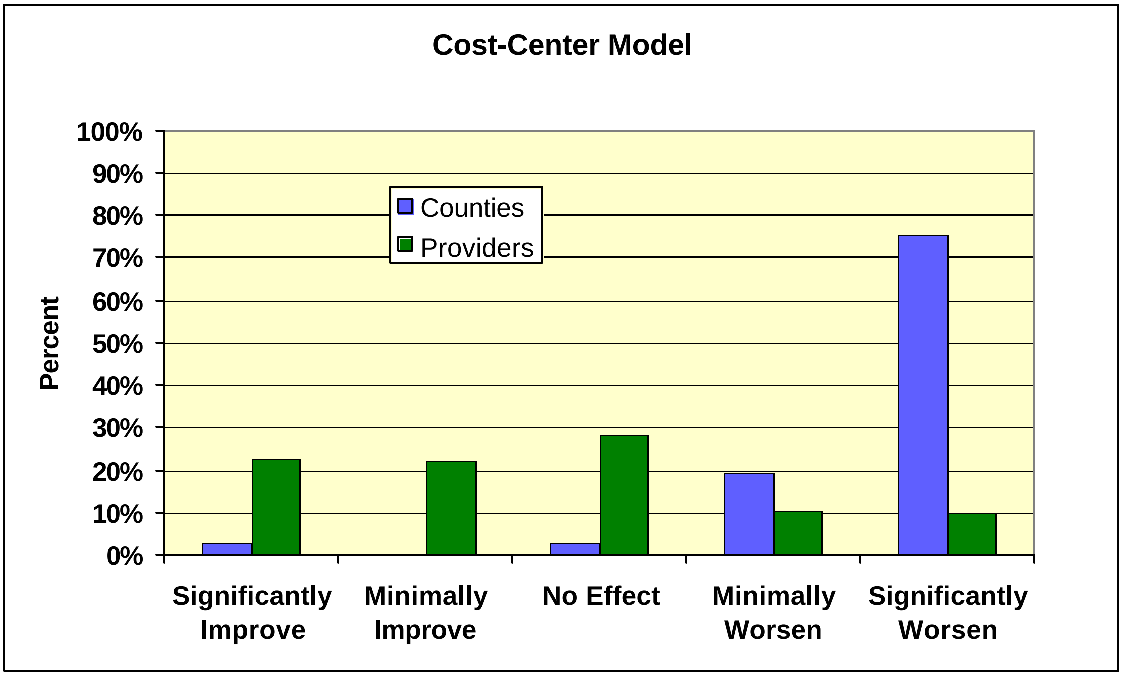
payment. Conveying clearly and succinctly any payment system in a paragraph is a challenge and we suspect many survey recipients desired more information. After the brief description of each alternative, repeated below, we asked respondents to tell us how they believed each alternative would "improve or worsen the stability and predictability of payment for subsidized child care services."

Counties and, to a lesser extent providers, expressed concern with the reconciliation aspect of a prospective system. For counties, it is the part of the payment process that involves the greatest administrative effort and is a chief element in the counties' policing of the fiscal soundness of the current payment system. For providers, it is the part of the payment process in which invoices/vouchers are subject the adjustment, giving rise to the discrepancies which affect providers' cash flow and create administrative burdens when they seek resolution with county officials.

The Cost Center Model

This alternative most closely paralleled the language in Am. Sub. H.B. 283 authorizing LBO to study the child care payment system and is not unlike that used in the Medicaid long-term care program:

> *The state would determine subsidy rates using a mixture of a base rate (derived from a market rate survey) and a separate accounting of to-be-identified cost centers (e.g., training and professional development, facility costs, supplies). Monthly payment would be made to providers based upon historic patterns of use and a base rate, with monthly reconciliation for actual volume of service provided (using your current process for scrutinizing invoices and other billing documents for accuracy and eligibility) and monthly adjustment for actual costs incurred in the cost centers.*

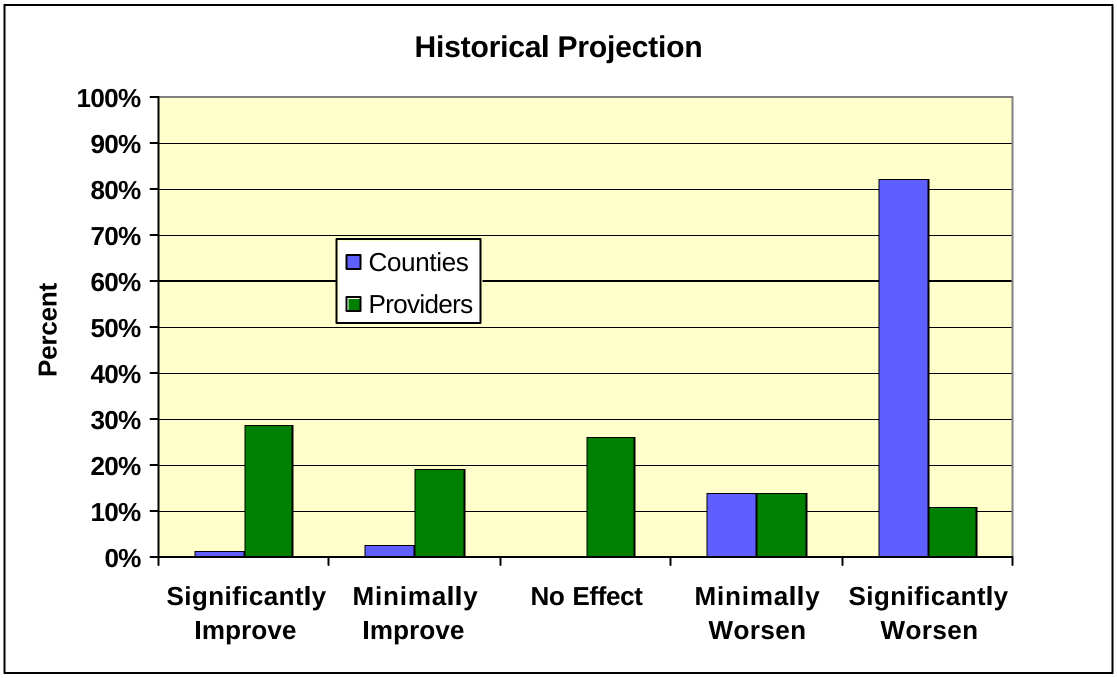


This model generated the second strongest negative reaction from county administrators and licensed providers most commonly responded that it would have no effect on payment processing. It is the most complicated model presented in the survey and the segmented nature of the supply of child care raises issues concerning how equitable and efficient it would be to implement. How would a Type B professional home provider and a large for-profit center both operate under this arrangement? In the absence of a centralized payment system currently, several counties offered that this model would only add to the complication, paperwork burdens, and administrative demands of administering the subsidy. We followed the language in Am. Sub. H.B. 283, however, federal guidelines preclude the use of CCDF funds, the lion share of federal child care funding, for facility costs. That portion of the subsidy, then, would have to be paid out of additional General Revenue Fund monies.

Historical Projection

This alternative employs the simplest projection model to anticipate demand on which to base payment:

Monthly payments would be paid to providers in advance of the month of service, based on the prior year's pattern of service delivery and using the existing rate structure. Reconciliation would occur monthly using your current methods. Based on the results of the reconciliation, the next month's payment would be adjusted as necessary.

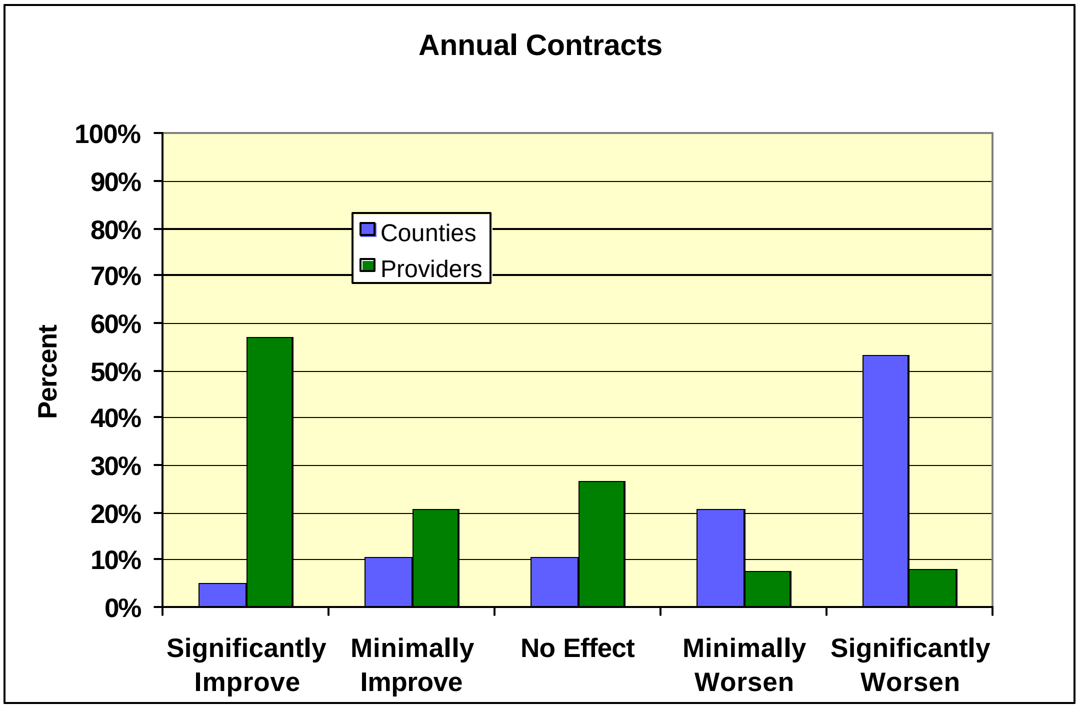


Despite the simplicity of the calculation of future use in this model, counties reacted most negatively to this model of all alternative systems presented in the survey. They emphasized the fluid of child care subsidy usage, the tendency of parents to change providers and to enter and exit the program as factors that would make the accuracy of an historical trend suspect in their minds. Licensed providers, on the other hand, offered a measured response to this model. While the largest number said it would greatly improve predictability and stability of payment, 51 percent estimated it would have no effect or make things worse.

Annual Contracts for Subsidized Care

This alternative payment system resembles that used by the Head Start program:

County departments of human services would contract with individual providers to make available a set level of subsidized child care service annually, i.e. you would purchase a set number of slots annually by contract.

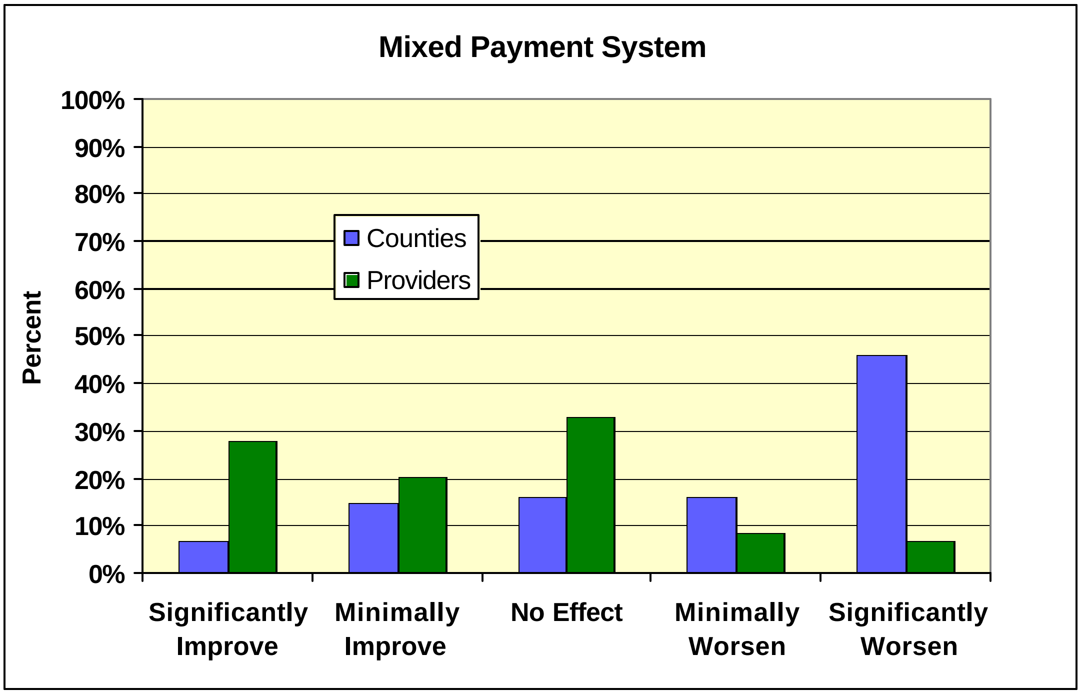


Here provider and county responses mirrored each other notably. Clear majorities of both the county and provider respondents anticipate opposite effects. The annual contract model offers to providers an arrangement with which at least some of them may be familiar through the growing number of Head Start Child Collaborative Initiative. It promises a high degree of stability and predictability of payment and meshes with the unit of service by which providers manage their operations. It is perhaps not surprising then that this option earned the highest favorable ratings from providers. From the county perspective, however, nearly 75 percent of respondents thought annual contracts would make the payment system worse not better. Some county officials found attractive the idea of open slots that they could fill as needed, but many more raised concerns about the difficulty of estimating and managing contracted slots and argued that this approach would reduce parental choice.

Mixed Prospective/Reimbursement Approaches

A mixed system, using both an advance payment and current reimbursement processes, offered a middle ground in system restructuring:

> *The county would contract for a set number of slots (as in the above question) to meet portion of the anticipated need in an area. However, the county would reimburse providers, using current processes, for child care services provided to eligible families beyond that set number of slots purchased annually.*

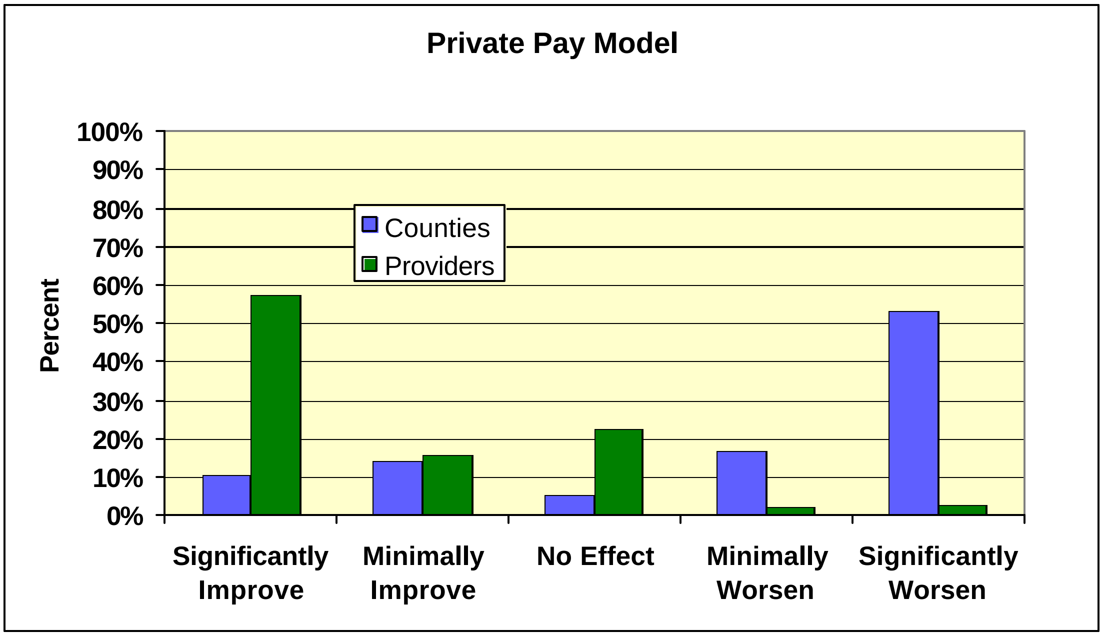


Licensed providers did not respond negatively to this alternative, but their response otherwise is somewhat ambiguous. Fifty percent thought a mixed payment system would significantly or at least minimally improve payment predictability and stability, but 34 percent felt it would have no effect. While 21.7 percent of county respondents seemed willing to entertain a mixed system, the largest group of county administrators (45.9 percent) believed this option would significantly worsen the current system. Several felt that it would be beneficial for centers where there are a large enough number of children receiving subsidized care, but that for the home providers such an arrangement would be unworkable.

The Private Pay Model

This alternative already operates in Ohio, in a manner of speaking, in the private market for child care services:

The county departments of human services would pay providers in advance based on weekly enrollment without regard to the actual number of hours or days the child attends during the week, just as is the case with private-pay families. As with private-pay consumers, each child would be authorized for either part-time or full-time care.



With the private-pay approach, as with the annual contracts model responses from county officials and providers were strongly polarized. More than half of all licensed providers responding felt that modeling publicly-funded child care on the conditions private-pay parents face would significantly improve the stability and predictability of payment. Only the annual contract model attracted more favorable responses. Like the Head Start annual contracts, the private pay model is known, intimately, to licensed providers. Still, one in five providers felt treating the county like a private-pay customer would have no effect on the payment system. County administrators, on the other hand, overwhelmingly opposed this option, with more than 80 percent of respondents predicting that it would make things significantly worse. The primary concerns were that it would increase fraudulent billing, the payment of services not rendered, and change the nature of the program from subsidizing families' efforts to reach self-sufficiency to subsidizing the child care industry. Still, several counties responded positively, noting the likely ease of administering such a program.

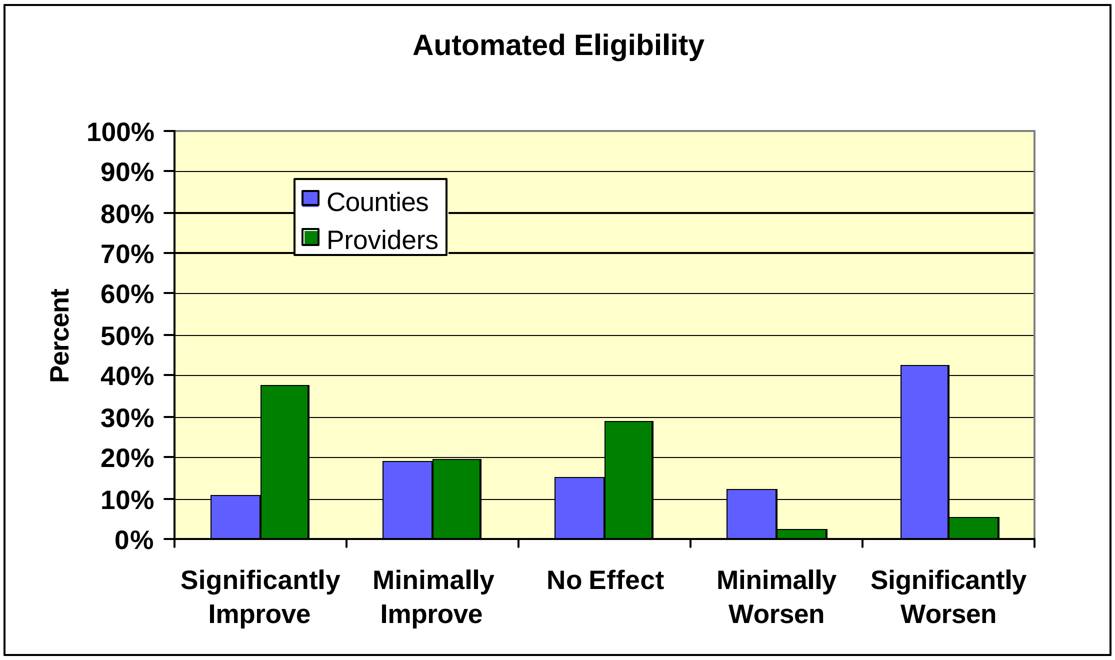
Other Alternative Arrangements

We also asked counties and licensed providers to consider alternative methods of making payments or adjusting the child care subsidy program that might influence the predictability and stability of payments. These arrangements do not necessarily involve prospective payment, but we included them as they have attracted attention in Ohio and elsewhere.

Automated Eligibility

Governments have recently looked to automate certain functions related to eligibility to increase client convenience or improve services to providers. This option mirrors a proposal in development in Franklin County:

Providers would be allowed to enter eligibility information on-line for clients; counties would perform the actual determination of eligibility. Providers would have continuing access to this automated eligibility system, permitting them to verify a client's eligibility status at any time.



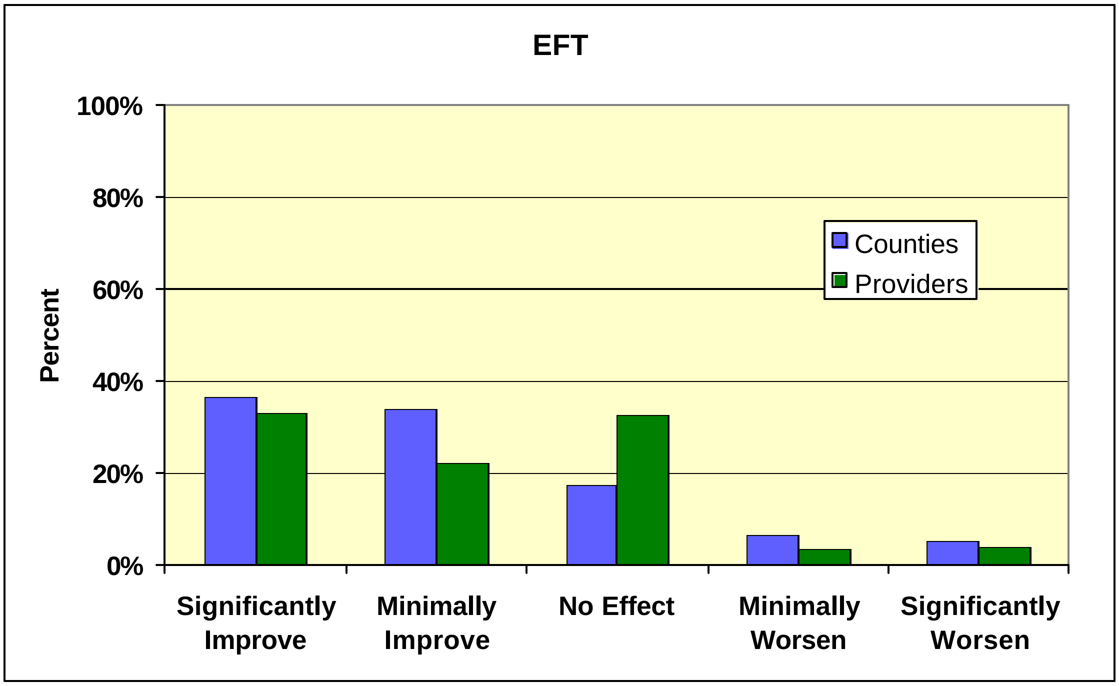
Franklin County envisioned its CenterLink initiative as a multi-phase technology application that initially would allow providers to check if a parent's eligibility has been denied or terminated; to identify whether an application had been verified and what it might be missing; to verify the parent's authorized schedule and copayment amount. While Franklin County hoped this might improve its service to parents and providers alike, more than 40 percent of counties responding to the survey thought such a development would significantly worsen the payment system, citing concerns about loss of client privacy. Almost half (49.2 percent) of all licensed providers who responded to the survey felt this application would improve the predictability and stability of payment. Recently, the Ohio Department of Job and Family Services' Child Welfare Reform Shareholders Group recommended that the agency develop a "computer-based, on-line child care subsidy eligibility determination system."[22]

Electronic Funds Transfer (EFT)

Electronic Funds Transfer is an alternative would affect directly the check-cutting process:

The current system maintained and enhanced by requiring county auditors or the Auditor of State to process child care payments to providers through electronic funds transfer

[22] Child Welfare Reform Shareholders Group, Report to the Ohio Department of Human Services (June 2000), p. 27.

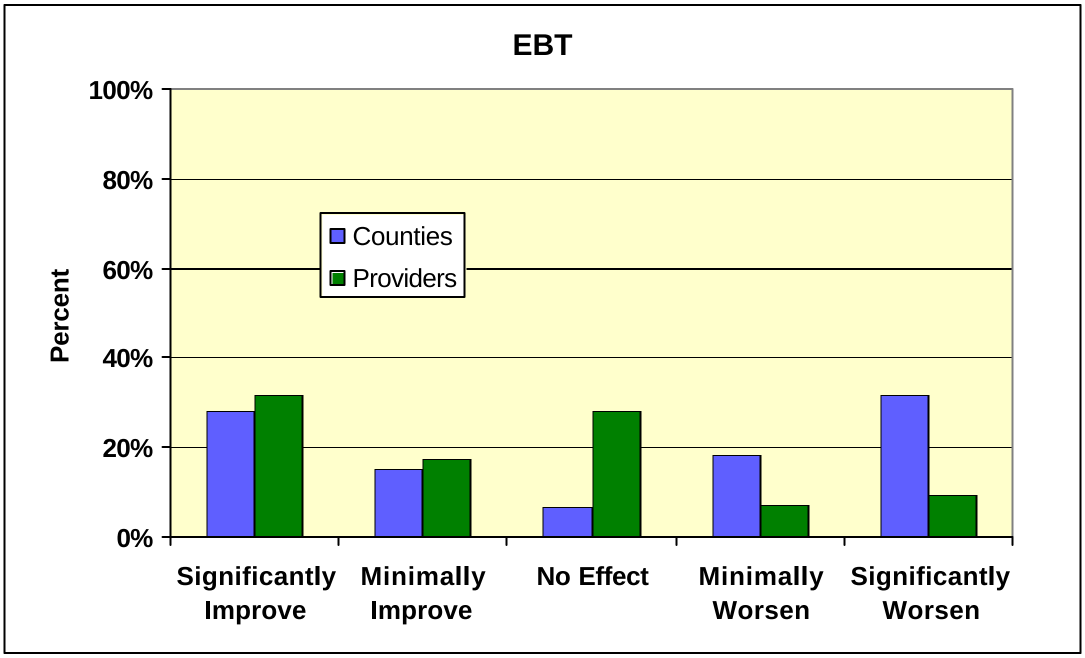


Only two counties (Hamilton and Gallia) responded that their county auditor currently permits reimbursement through EFT. But more than 70 percent of county respondents and 55.2 percent of licensed providers thought EFT would improve the payment system. A sizable proportion — 17 percent of counties and about one-third of providers — felt it would have no effect. By eliminating or reducing the administrative effort associated with preparing payments for mailing, electronic funds transfer would cause a gross decrease in administrative costs, although the net effect is unknown. However, because EFT would only affect that part of the delay in payment that some providers experience that is the result of the check-cutting process and the mail delivery system, likely it would have little or no effect on whatever delay may be associated with the verification and adjustment process.

Electronic Benefits Transfer (EBT)

Electronic Benefits Transfer is a technology well established in the commercial marketplace in the form of debit cards and is rapidly entering the public human services arena as well, with great effect on the federal Food Stamp program.

> *Eligible parents would swipe a magnetic "smart card" through a reader connected live or hooked up daily to the county.*



Counties polarized on this option, with around 30 percent holding that it would significantly worsen and 30 percent that it would significantly improve the payment system. This response illustrates uncertainty about whether the smart card would record attendance (like a access key card) or pay for care (as with debit cards). Counties also expressed concern with the cost of such a system, which would require point of sale machines located with each provider. Just over 30 percent of licensed providers also thought EBT would significantly improve the stability and predictability of payment, but 28 percent felt it would have no effect. Oklahoma became the first state to go on-line with an EBT system in August 2000; Colorado and Utah have been considering developing EBT.

Conclusion and Recommendations

At this time, LBO cannot comfortably recommend the development of a cost-based prospective payment system that provides for predictability and stability of payment and takes into consideration facility costs and training costs. There are several reasons that drive this conclusion: the overwhelming reservations and resistance of county administrators on whom would fall the task of administering a prospective payment system; the lack of a centralized and uniform billing and payment currently, which makes reconciliation to prospective payments problematic; the lack of cost-of-care information; limitations on the use of federal funding for facility costs; and the likely continuation under a prospective payment arrangement of several of several of the programmatic and procedural constructs that cause providers concern with the current payment system.

In conversations with LBO and in their responses to the county survey, county child care administrators and human services officials strenuously opposed the development of a prospective payment system. In evaluating each of the prospective payment systems identified in the survey, more than half of all county respondents believed the particular system would worsen predictability and stability of payment; regarding four of the five prospective payment systems, more than half and as many 82 percent of the county respondents believed the prospective system would significantly worsen predictability and stability of subsidy payment. This overwhelming response was echoed in our conversations with county officials on whom would fall the task of implementing and maintaining any child care payment system and suggests a significant barrier to the development of a cost-based prospective payment system.

Second, despite a general regulatory framework, currently 88 payment systems operate in Ohio, or more appropriately 88 variations on two payment systems. Payment procedures, forms, and dates for invoicing and disbursing differ from county to county. Some counties operate in an essentially manual environment, reporting the results of their accounts payable process for child care on the State's automated inventory control system; other counties are automated and independently upload their data to the state. This decentralized and varied administration, whatever its other merits, would be an administrative obstacle to the effective development of a prospective payment system. Moreover, the segmented nature of the child care market – center-based versus in-home care – makes implementing any prospective system with a reconciliation process a challenge.

Lack of cost-of-care information in Ohio and nationally also makes recommendation of a cost-based payment system problematic. There is a good deal of information about child care *prices*, in the form of state market rate surveys and data kept by Child Care Resource and Referral Agencies, non-profit organizations that connect parents and providers and encourage the development of quality of care. However, there is little more than anecdotal information concerning the *cost* of providing child care services in Ohio. And, unlike individual firms in more developed industries, child care providers — more likely to be early childhood development professionals rather than schooled entrepreneurs — often do not have their finger on the marginal cost of supplying an additional unit of service. Indeed, few studies elsewhere have explored the topic of actual costs in child care. Absent an understanding of the actual cost of care in the industry, LBO is reticent to recommend that Ohio develop a cost-based payment system in which payment is rendered in advance of service.

The restriction against use of federal Child Care Development Fund (CCDF) monies to pay for most facility cost is a fourth barrier to recommending a prospective payment system as described in Am. Sub. H.B. 283, which specified that such a system "should take into consideration facility costs and training costs." Regulations governing CCDF funds, the lion's share of federal child care monies, limit their use to "minor remodeling" and "for upgrading child care facilities to assure that providers meet State and local child care standards, including applicable health and safety requirements." While funds might help a provider maintain or come into compliance with minimum licensing, certification, or zoning standards, they cannot be relied upon to fund facility costs in any systemic manner.[23]

Lastly, the concerns providers expressed to LBO in person and in survey responses are ones that — however valid or not — are not likely to be addressed by a prospective payment system as specified in the bill. LBO began its research by trying to understand providers' concerns with the current payment processing system. While providers shared with us many concerns with the publicly-funded child care program, not all of which related to our charge to review payment procedures, the problems they defined with the payment process centered on three issues: the assumption of a risk of non-payment in taking a child whose eligibility determination is in process; the potential for non-payment or delayed-payment for services rendered to an eligible child during unapproved hours; and the risk of non-payment or partial payment when there is a change in the eligibility status of a child and that change is not effectively communicated to the provider. These issues derive from the fundamentals of the exchange, the purchase or sale of a unit of child care services, not from the method or timing of the payment.

[23] *Federal Register*, July 24, 1998, p. 39990.

Appendix A

Ohio Legislative Budget Office
Child Care Payment System Study
Survey of County Departments of Human Services

Section I. Availability

1. How many licensed and certified child care providers operate in your county by type?

a. _____ Type A Licensed Family Child Care Home
b. _____ Type B Certified Professional Family Child Care Home
c. _____ Type L Certified Limited Family Child Care Home (Agency-Inspected)
d. _____ Type L Certified Limited Family Child Care Home (Parent-Provider-Inspected)
e. _____ Type I Certified In-Home Aide Child Care Aide
f. _____ Licensed Child Care Center

2. For the most recent twelve months, for which age group has demand for publicly-funded child care services exceeded the supply in your county? **Please circle all that apply**.

a. Infants (0 months to less than 18 months)
b. Toddlers (18 months to less than 3 years)
c. Pre-school (3 years to less than 5 years)
d. School-age (5 years to less than 13 years)

3. For the most recent twelve months, for which hours of service has demand for publicly-funded child care services exceed supply in your county? **Please circle all that apply**.

a. Weekday traditional (Monday thru Friday, 6:00 a.m. to 6:00 p.m.)
b. Weekday non-traditional (Monday thru Friday, 6:00 p.m. to 6:00 a.m.)
c. Weekend (Saturday and Sunday)

4. For the most recent twelve months, for which type of provider has demand for publicly-funded child care services exceed supply in your county? **Please circle all that apply**.

a. Type A Licensed Family Child Care Home
b. Type B Certified Professional Family Child Care Home
c. Type L Certified Limited Family Child Care Home (Agency-Inspected)
d. Type L Certified Limited Family Child Care Home (Parent-Provider-Inspected)
e. Type I Certified In-Home Aide Child Care Aide
f. Licensed Child Care Center

Section II. Eligibility Determination

5. In state fiscal year (SFY) 1999 (July 1, 1998 through June 30, 1999), how many eligibility determinations for subsidized child care did your agency complete?

_____

6. In SFY 1999, what percentage of eligibility determinations were made within the time frames specified below?

a. Within 1 week: _____%
b. 8-15 days _____%
c. 16-30 days _____%
d. More than 30 days _____%
e. This information is not tracked.

7. In SFY 1999, on average how long did it take your agency to determine an applicant's eligibility for subsidized child care services? **Please fill in the blank and circle the appropriate time frame**.

______ days / weeks

8. Do you use the Certificate of Authorized Payment (COAP) voucher with any child care provider?

YES NO

9. How does your agency notify providers that a child is eligible for publicly-funded child care services? **Please circle all that apply**.

a. Through the use of a COAP voucher delivered by the parent
b. Through the use of a COAP voucher sent through the mail
c. By mailing a letter, billing roster or other document (not a COAP voucher) indicating eligibility
d. By telephone
e. Other, please specify: ____

10. Typically, how long does it take the fiscal office of your organization that is responsible for processing and authorizing payment of invoices/vouchers to be notified of eligibility determinations and changes to eligibility status?

a. Within 24 hours
b. 2 - 3 days
c. 4 - 7 days
d. More than 1 week

Section III. Payment Processing

11. Describe the process—from receipt of invoice through verification of eligibility to payment disbursement—for subsidized child care reimbursement by your agency/county. (Feel free to include an attachment and any relevant documentation.)

____

____

____

____

(continued)

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____

____

____

____

12. How many invoices/vouchers for subsidized child care did your agency process in SFY 1999. Please answer by type of provider, if possible, as well as indicate the total number of invoices/vouchers.

a. _____ Type A Licensed Family Child Care Home

b. _____ Type B Certified Family Child Care Home

c. _____ Type L Limited Child Care Home, Agency (Agency-Inspected)

d. _____ Type L Limited Child Care Home (Parent-Provider-Inspected)

e. _____ Type I Certified In-home Child Care Aide

f. _____ Licensed Child Care Center

g. _____ Total invoices/vouchers submitted from all providers

13. What percentage of invoices/vouchers submitted by **Type B Family Child Care Homes and all other types of home providers** did your agency process in the following time frames in SFY 1999? **Please fill in the blank(s) or circle the appropriate letter**.

a. Within 30 days: _____%
b. 31-60 days: _____%
c. 61-90 days: _____%
d. 91-120 days: _____%
e. More than 120 days: _____%
f. None processed
g. This information is not tracked.

14. What percentage of invoices/vouchers submitted by **Licensed Child Care Centers** did your agency process in the following time frames in SFY 1999? **Please fill in the blank(s) or circle the appropriate letter**.

a. Within 30 days: _____%
b. 31-60 days: _____%
c. 61-90 days: _____%
d. 91-120 days: _____%
e. More than 120 days: _____%
f. None processed
g. This information is not tracked.

15. Of all invoices/vouchers from **all child care providers** in SFY 1999, what percentage did your agency process in the following time frames? **Please fill in the blank(s) or circle the appropriate letter**.

a. Within 30 days: _____%
b. 31-60 days: _____%
c. 61-90 days: _____%
d. 91-120 days: _____%
e. More than 120 days: _____%
f. None processed
g. This information is not tracked.

16. Contractually, when must a provider submit an invoice/voucher?

a. Within 30 days of a service period
b. Other, please specify: ____
c. There is no contractual requirement.

17. In SFY 1999, estimate the **percentage of invoices/vouchers submitted that your agency rejected**, in whole or in part, because they were incomplete or submitted late; because they claimed reimbursement for service provided to ineligible children or for unapproved hours; or for other reasons.

______ %

18. **Of the invoices/vouchers that were rejected**, approximately what percent were rejected for each of the following reasons?

a. Invoice/voucher was submitted incomplete: _____%
b. Invoice/voucher was submitted late: _____%
c. Invoice/voucher claimed reimbursement for ineligible child(ren):_____%
d. Invoice/voucher claimed reimbursement for eligible children, but for child care service provided at an unapproved time: _____%
e. Other, please specify: _________________________ _____%

19. In SFY 1999, what was the **average length of time** required to process a child care invoice/voucher **from receipt to the point of approval or disapproval**? Please fill in the blank and circle the appropriate time frame.

______ days / weeks

20. In SFY 1999, what was the **average length of time** required to disburse a payment on an approved child care invoice/voucher, i.e. the time **from date of approval of the invoice/voucher to date the check was issued**? Please fill in the blank and circle the appropriate time frame.

______ days / weeks

21. In SFY 1999, what was the **average length of time** required to process a child care n invoice/voucher**, from date of receipt of the invoice/voucher to date the check was issued**? Please fill in the blank and circle the appropriate time frame.

______ days / weeks

22. When does your agency notify child care providers of the termination of a child's eligibility?

a. Immediately
b. Within 2 weeks
c. 2-3 weeks
d. 4-6 weeks
e. Other, please elaborate: ____

23. Have child care providers contacted your agency with concerns about receiving child care reimbursement payments in a timely fashion?

YES NO

24. Does your agency meet with providers on a regular basis to discuss the performance of the payment system for subsidized child care?

YES NO

25. Does your county use electronic funds transfers when making payment on child care invoices/vouchers?
YES NO

26. Does your agency maintain current written procedures governing the following processes? **Please circle all that apply**.

a. Notifying providers of an initial eligibility determination
b. Notifying providers of a change in eligibility status
c. Notifying your fiscal division of an initial eligibility determination
d. Notifying your fiscal division of a change in eligibility status
e. Processing invoices/vouchers submitted by child care providers

27. Please list and rank the factors that contribute to delays in processing payments to child care providers, with 1 being the most significant and 5 the least significant.

1. ____
2. ____
3. ____
4. ____
5. ____

28. On a grading scale like that used in schools, how would you overall rate the current child care payment system?

a. A
b. B
c. C
d. D
e. F

Section IV. Alternative Payment Systems

The following questions concern other possible ways to design a child care payment system. Let us know how you think each would improve or worsen the stability and predictability of payment for subsidized child care services.

29. **The private-pay model** The county departments of human services would pay providers in advance based on weekly enrollment without regard to the actual number of hours or days the child attends during the week, just as is the case with private-pay families. As with private-pay consumers, each child would be authorized for either part-time or full-time care. How would this alternative affect the child care payment system in your county?

a. Significantly improve
b. Minimally improve
c. No effect
d. Minimally worsen
e. Significantly worsen

Comment: ____

____

____

30. **Historical projection**. Monthly payments would be paid to providers in advance of the month of service, based on the prior year's pattern of service delivery and using the existing rate structure. Reconciliation would occur monthly using your current methods. Based on the results of the reconciliation, the next month's payment would be adjusted as necessary. How would this alternative affect the child care payment system in your county?

a. Significantly improve
b. Minimally improve
c. No effect
d. Minimally worsen
e. Significantly worsen

Comment: ____

____

____

31. **Annual contracts for subsidized care**. County departments of human services would contract with individual providers to make available a set level of subsidized child care service annually, i.e. you would purchase a set number of slots annually by contract. How would this alternative affect the child care payment system in your county?

a. Significantly improve
b. Minimally improve
c. No effect
d. Minimally worsen
e. Significantly worsen

(continued)

Comment: ____

____

____

32. **Mixed prospective payment and reimbursement approaches**. The county would contract for a set number of slots (as in the above question) to meet portion of the anticipated need in an area. However, the county would reimburse providers, using current processes, for child care services provided to eligible families beyond that set number of slots purchased annually. How would this alternative affect the child care payment system in your county?

a. Significantly improve
b. Minimally improve
c. No effect
d. Minimally worsen
e. Significantly worsen

Comment: ____

____

____

33. **Cost-center model**. The state would determine subsidy rates using a mixture of a base rate (derived from a market rate survey) and a separate accounting of to-be-identified cost centers (e.g., training and professional development, facility costs, supplies). Monthly payment would be made to providers based upon historic patterns of use and a base rate, with monthly reconciliation for actual volume of service provided (using your current process for scrutinizing invoices and other billing documents for accuracy and eligibility) and monthly adjustment for actual costs incurred in the cost centers. How would this alternative affect the child care payment system in your county?

a. Significantly improve
b. Minimally improve
c. No effect
d. Minimally worsen
e. Significantly worsen

Comment: ____

____

____

34. **Automated eligibility**. Providers would be allowed to enter eligibility information on-line for clients; counties would perform the actual determination of eligibility. Providers would have continuing access to this automated eligibility system, permitting them to verify a client's eligibility status at any time. How would this alternative affect the child care payment system in your county?

(continued)

a. Significantly improve
b. Minimally improve
c. No effect
d. Minimally worsen
e. Significantly worsen

Comment: ____

____

____

35. **Electronic funds transfer (EFT)**. The current system maintained and enhanced by requiring county auditors or the Auditor of State to process child care payments to providers through electronic funds transfer. How would this alternative affect the child care payment system in your county?

a. Significantly improve
b. Minimally improve
c. No effect
d. Minimally worsen
e. Significantly worsen

Comment: ____

____

____

36. **Electronic benefits transfer (EBT)**: Eligible parents would swipe a magnetic "smart card" through a reader connected live or hooked up daily to the county. How would this alternative affect the child care payment system in your county?

a. Significantly improve
b. Minimally improve
c. No effect
d. Minimally worsen
e. Significantly worsen

Comment: ____

____

____

Section V. Rates

The questions on the following pages, asked at the request of the Ohio Department of Human Services in conjunction with its 2000 Child Care Market Rate Survey, concern the rates your county pays to Certified Home Providers.

37. Has your county conducted its own market rate survey of child care provider prices?
(If No, then go to question 39.)

YES NO

38. If yes, briefly explain why it did so and how the survey information was used:

____

____

____

39. How much do you pay Certified Home Providers?

a. Type B Professional: $________
b. Type L Limited (agency inspected): $________
c. Type L Limited (parent/provider inspected): $________
d. Type I In-Home Aide: $________

40. How did you determine the Certified Provider Rates?

a. Type B Professional: ____

b. Type L Limited (agency inspected): ____

c. Type L Limited (parent/provider inspected): ____________________________________

d. Type I In-Home Aide: ____

Section VI. Recommendations

What do you recommend be changed to make the current subsidized child care payment system work better for clients, for providers, and for the county departments of human services?

____

____

____

____

____

____

Please provide contact information for the person completing this questionnaire:

Name: ______________________________ **Title:** ______________

County: ______________________________

Address: ______________________________

____

Telephone: ( ) ______________ ext. ________ **FAX:** ( ) ______________

E-Mail: ______________________________

Appendix B

IDENTITY

Please mark all items applicable to your Licensed facility. This information is vital for assessing the various types of licensed facilities throughout the state, and ensuring that a representative sample of each type is adequately evaluated. **PLEASE CIRCLE CORRECT ANSWER AND/OR FILL-IN BLANK!**

1. Please indicate your **Type(s)** of licensed child care facility by circling letter(s) in the left column.

   A. NOT APPLICABLE
   B. Type A Family Child Care Home
   C. Type C Child Care Center
   D. Type D Day Camp

2. What type of **Business** is your licensed child care facility?

   A. For-profit, single location
   B. For-profit, multiple locations
   C. Not-for-profit, single location
   D. Not-for-profit, multiple locations

3. Are you part of an agency or organization that provides services other than child care?

   YES NO

CURRENT ENROLLMENT

The following questions ask about your current enrollment.
PLEASE CIRCLE CORRECT ANSWER AND/OR FILL-IN BLANK!

4. How many children is your child care facility licensed to serve in the following categories?

   A. NOT APPLICABLE
   B. Infant **(0 months to less than 18 months)** ________
   C. Toddler **(18 months to less than 3 years)** ________
   D. Preschool **(3 years to less than 5 years)** ________
   E. School Age **(5 years to less than 13 years)** ________

5. How many **SUBSIDIZED** children do you serve in the following categories?

   A. NONE (If NONE, go to question 20)
   B. Infant **(0 months to less than 18 months)** ________
   C. Toddler **(18 months to less than 3 years)** ________
   D. Preschool **(3 years to less than 5 years)** ________
   E. School Age **(5 years to less than 13 years)** ________

CURRENT PAYMENT SYSTEM

The Ohio Legislature has asked the Legislative Budget Office to study publicly-funded child care payment procedures and make recommendations regarding the feasibility and the potential for development of a cost-based prospective payment system. Please share with us your experience of the child care payment system by completing the questions in the following section.

PLEASE CIRCLE CORRECT ANSWER AND/OR FILL-IN BLANK!

6. Do you serve PUBLICLY-SUBSIDIZED CHILDREN? (Children for whom a CDHS pays all or part of the cost of care)

   YES NO

   If YES, go to question 8. If NO, answer question 7 and then go to question 24.

7. WHY DO YOU NOT OFFER SUBSIDIZED CHILD CARE? Please list the top 3 reasons with 1 being the most significant and 3 being the least significant.

   1. ______________________________
   2. ______________________________
   3. ______________________________

8. How long do you estimate it usually takes the **CDHS TO DETERMINE INITIAL ELIGIBILITY** for a child?

   A. Under 2 weeks
   B. 2-3 weeks
   C. 4-6 weeks
   D. More than 6 weeks
   E. Don't know

9. Do you serve **CHILDREN WHILE THEY ARE AWAITING AN INITIAL ELIGIBILITY DETERMINATION BY THE CDHS**?

   YES NO

   If NO, go to question 13

10. For the most recent 12-month period, what was the approximate monthly average percentage of children awaiting their initial eligibility determination **WHO TURNED OUT NOT TO BE ELIGIBLE?**

    _____%

11. **DO YOU ATTEMPT TO OBTAIN PAYMENT FROM THE PARENT(S)** of children you have served whose initial eligibility determination turns out to be ineligible?

    YES NO

12. For the most recent 12-month period, what was the approximate monthly average of **HOW MUCH MONEY YOU LOST** because you provided service to children awaiting their initial eligibility determination who turned out **NOT** to be eligible?
    $_____

13. For the most recent month, approximately what **PERCENTAGE** of invoices/vouchers to the county were **REJECTED BECAUSE THE COUNTY CONSIDERED THEM INACCURATE OR INCOMPLETE?**
    _____%

14. For the most recent 12-month period, what was the **AVERAGE LENGTH OF TIME REQUIRED BY THE COUNTY** to process an invoice/voucher (i.e., from date of invoice/voucher until the date the check was issued)?

    A. 30 days or less
    B. 31-60 days
    C. 61-90 days
    D. 91-120 days
    E. More than 120 days

15. For the most recent 12-month period, what was the **TOTAL DOLLAR AMOUNT OF CHILD CARE SERVICES BILLED** to the CDHS on average each month?
    $_____

16. For the most recent 12-month period, what was the **PERCENTAGE OF INVOICES/VOUCHERS** for which you received **PAYMENT WITHIN 30 DAYS?**
    _____%

17. Please indicate, the **CURRENT OUTSTANDING AMOUNT** owed to you by the county:

    1. 30 days or less: $_____
    B. 31-60 days: $_____
    C. 61-90 days: $_____
    D. 91-120 days: $_____
    E. More than 120 days: $_____

18. In the last 12 months, have you experienced a **CASH FLOW CRISIS RESULTING FROM THE CDHS NOT PAYING INVOICES WITHIN 30 DAYS OF BILLING?**

    YES NO
    If NO, go to question 20

19. If YES to question 18, in the last 12 months, how have you responded to a **CASH FLOW CRISIS RESULTING FROM THE CDHS NOT PAYING INVOICES WITHIN 30 DAYS OF BILLING?** (Please circle all that apply)

    A. Secured a loan
    B. Established a line of credit
    C. Used a personal credit card
    D. Go without paying the director or staff
    E. Other, please specify: ______________________________

    ____

20. In terms of your administrative and personnel cost, **HOW MUCH DOES IT COST YOU OR HOW MUCH DO YOU SAVE** each month as a result of providing publicly-funded child care services? (Choose one)

    A. Added cost: $______
    B. Added savings: $______

21. What **FACTORS** do you feel **CONTRIBUTE TO DELAYS IN PROCESSING PAYMENTS** for subsidized child care, with 1 being most significant and 3 being the least significant:

    1. ____
    2. ____
    3. ____

22. When does the CDHS **INFORM YOU THAT A CHILD'S ELIGIBILITY HAS BEEN TERMINATED?**

    A. Immediately
    B. Within 2 weeks
    C. 2-3 weeks
    D. 4-6 weeks
    E. Never

23. On a grading scale like that used in schools, **HOW WOULD YOU RATE THE CURRENT CHILD CARE PAYMENT SYSTEM?**

    A. A
    B. B
    D. C
    D. D
    E. F

PRICES

Please answer each question accurately and completely. The accuracy of your pricing information is essential for formulating an equitable Market Rate for each applicable age group and established time interval.
PLEASE CIRCLE CORRECT ANSWER AND/OR FILL-IN BLANK!

24. Has your child care facility ever **CONTRACTED** and/or honored the **CERTIFICATE OF AUTHORIZED PAYMENT (COAP) VOUCHER** with any **County Department of Human Services (CDHS)**?

    YES NO
    If NO, go to question 26

25. If YES to questions 24, how many CDHSs is, or has, your child care facility **CONTRACTED** with and/or honored a **CERTIFICATE OF AUTHORIZED PAYMENT (COAP) VOUCHER?**________

26. What is your basic **HOURLY RATE** charged to the general public?

A.	NOT APPLICABLE		
B.	Infant	**(0 months to less than 18 months)**	$________ per hour
C.	Toddler	**(18 months to less than 3 years)**	$________ per hour
D.	Preschool	**(3 years to less than 5 years)**	$________ per hour
E.	School Age	**(5 years to less than 13 years)**	$________ per hour

27. What is your basic **DAILY FULL-TIME RATE** charged to the general public?

A.	NOT APPLICABLE		
B.	Infant	**(0 months to less than 18 months)**	$________ per day
C.	Toddler	**(18 months to less than 3 years)**	$________ per day
D.	Preschool	**(3 years to less than 5 years)**	$________ per day
E.	School Age	**(5 years to less than 13 years)**	$________ per day

28. What is your basic **DAILY PART-TIME RATE** charged to the general public?

A.	NOT APPLICABLE		
B.	Infant	**(0 months to less than 18 months)**	**$**________ per day
C.	Toddler	**(18 months to less than 3 years)**	**$**________ per day
D.	Preschool	**(3 years to less than 5 years)**	**$**________ per day
E.	School Age	**(5 years to less than 13 years)**	**$**________ per day

29. What is your basic **DAILY RATE** for **PART-WEEK RATE** charged to the general public? (i.e., Monday, Wednesday, Friday care only)

A.	NOT APPLICABLE		
B.	Infant	**(0 months to less than 18 months)**	**$**________ per day
C.	Toddler	**(18 months to less than 3 years)**	**$**________ per day
D.	Preschool	**(3 years to less than 5 years)**	**$**________ per day
E.	School Age	**(5 years to less than 13 years)**	**$**________ per day

30. What is your basic **WEEKLY RATE** charged to the general public?

A.	NOT APPLICABLE		
B.	Infant	**(0 months to less than 18 months)**	**$**________ per week
C.	Toddler	**(18 months to less than 3 years)**	**$**________ per week
D.	Preschool	**(3 years to less than 5 years)**	**$**________ per week
E.	School Age	**(5 years to less than 13 years)**	**$**________ per week

NON-TRADITIONAL HOURS

The working, training or educational schedule(s) of today's parent(s) are rarely the traditional 6 AM to 6 PM hours of operation offered by most Licensed Child Care Centers. Consequently, parents are often forced to seek alternative care during Non-Traditional hours. As more and more parents enter the workforce, finding safe, reliable and affordable quality child care services during Non-Traditional hours is becoming very difficult. To address this growing need, more Licensed Child Care Centers are remaining open for business during Non-Traditional Hours.

PLEASE CIRCLE CORRECT ANSWER AND/OR FILL-IN BLANK!

31. Does your child care facility provide services during **NON-TRADITIONAL HOURS**?

YES NO
If NO, go to question 34

32. If YES to question 31, what are your **NON-TRADITIONAL HOURS**?

FROM______ TO______ SU M T W TH F S
Please circle correct day(s)

33. What **RATE** does your child care facility charge to the general public to provide child care services during **NON-TRADITIONAL HOURS**?

A. Same **RATE** as **TRADITIONAL HOURS**

B.	NOT APPLICABLE		
C.	Infant	**(0 months to less than 18 months)**	**$________ per HOUR**
D.	Toddler	**(18 months to less than 3 years)**	**$________ per HOUR**
E.	Preschool	**(3 years to less than 5 years)**	**$________ per HOUR**
F.	School Age	**(5 years to less than 13 years)**	**$________ per HOUR**
G.	NOT APPLICABLE		
H.	Infant	**(0 months to less than 18 months)**	**$________ per DAY**
I.	Toddler	**(18 months to less than 3 years)**	**$________ per DAY**
J.	Preschool	**(3 years to less than 5 years)**	**$________ per DAY**
K.	School Age	**(5 years to less than 13 years)**	**$________ per DAY**
L.	NOT APPLICABLE		
M.	Infant	**(0 months to less than 18 months)**	**$________ per WEEK**
N.	Toddler	**(18 months to less than 3 years)**	**$________ per WEEK**
O.	Preschool	**(3 years to less than 5 years)**	**$________ per WEEK**
P.	School Age	**(5 years to less than 13 years)**	**$________ per WEEK**

SPECIAL NEEDS

Providing safe, efficient and dependable child care services to children with a physical and/or mental handicap, as verified by licensed physician and/or licensed/certified psychologist, is an important part of Ohio's Publicly Funded Child Care program. **PLEASE CIRCLE CORRECT ANSWER!**

34. Has your facility ever served children with **SPECIAL NEEDS**?

YES NO

ADDITIONAL SERVICES

Several innovative Licensed Child Care facilities offer services in addition to those required for State Licensure. The following questions refer to the most common additional services. If your facility offers a service(s) which is not identified, please list your service(s) with pricing and frequency offered in the space provided.
PLEASE CIRCLE CORRECT ANSWER AND/OR FILL-IN BLANK!

35. Does your child care facility provide **TRANSPORTATION?**

YES NO
If NO, go to question 38

36. If YES to question 35, is the cost of **TRANSPORTATION** included in your basic rate?

YES NO
If YES, go to question 38

37. If NO to Question 36, what is your rate for providing **TRANSPORTATION**?

One Way: $_____ per day/week
Round Trip: $_____ per day/week
Other: $_____ per day/week

38. Does your child care facility require a **REGISTRATION FEE**?

YES NO
How often: ______________________
Cost: $______ per registration

39. Does your child care facility require an **ADVANCE PAYMENT**?

YES NO
How often: ______________________
Cost: $_____ per advance payment

40. Does your child care facility require a **DEPOSIT**?

YES NO
How often: ______________________
Cost: $_____ per deposit

41. Does your facility charge an **ACTIVITY FEE**?

YES NO
How often: ______________________
Cost: $_____ per activity

42. Does your facility charge **ANY OTHER FEE(S)** not mentioned above?

YES NO
Please describe: ____
How often: ______________________
Cost: $_____ Other fee(s)

DISCOUNTS

Several Licensed facilities offer special pricing discounts to families with more than one child in care, as well as, other special pricing discounts. Information of this type assists the State with developing a more complete picture of the child care market. Please answer each question completely.

PLEASE CIRCLE CORRECT ANSWER AND/OR FILL-IN BLANK!

43. Does your child care facility offer **DISCOUNT RATES** for additional children from the same family?

YES NO
If NO, go to question 47

44. What is your basic **DISCOUNT RATE** charged to the public?

Infant	2nd $_____	3rd $_____	Preschool	2nd $_____	3rd $_____
Toddler	2nd $_____	3rd $_____	School Age	2nd $_____	3rd $_____

45. Does your facility offer other type(s) of **DISCOUNT RATE(S)** to the general public?

YES NO
If NO, go to question 47.

46. If YES to question 45, please describe other type(s) of **DISCOUNT RATE(S)**?

____

____

ALTERNATIVE PAYMENT SYSTEMS

The following questions concern other possible ways to design a child care payment system. Let us know how you think each would improve or worsen the stability and predictability of payment for subsidized child care services. **PLEASE CIRCLE CORRECT ANSWER!**

47. **The private-pay model.** The county would pay you in advance, based on weekly enrollment without regard to the actual number of hours or days the child attends during the week, just as is the case with private-pay families. How would this system affect whether you are paid or paid on time?

A. Significantly improve
B. Minimally improve
C. No effect
D. Minimally worsen
E. Significantly worsen

48. **Historical projection.** You would receive monthly payments in advance of the month of service, based on your past use and current payment rates. The county would reconcile the accuracy of those payment with you monthly using its current method for determining invoice/voucher accuracy. Based on this reconciliation, the next month's payment would be adjusted as necessary. How would this system affect whether you are paid or paid on time?

    A. Significantly improve
    B. Minimally improve
    C. No effect
    D. Minimally worsen
    E. Significantly worsen

49. **Annual contracts for subsidized care.** The CDHS would contract with you to make available a set level of subsidized child care services annually, i.e. the CDHS would purchase a set number of slots from you each year by contract and begin paying on the contract in advance of the delivery of child care services. How would this system affect whether you are paid or paid on time?

    A. Significantly improve
    B. Minimally improve
    C. No effect
    D. Minimally worsen
    E. Significantly worsen

50. **Mixed prospective payment and reimbursement approaches.** As in the previous question, the CDHS would contract with you for a set number of slots. In addition, if you cared for eligible children beyond the number of slots in your yearly contract, the CDHS would reimburse you using its current reimbursement payment methods. How would this system affect whether you are paid or paid on time?

    A. Significantly improve
    B. Minimally improve
    C. No effect
    D. Minimally worsen
    5. Significantly worsen

51. **Cost-center model.** The state would determine subsidy rates using a mixture of a base rate (derived from a market rate survey) and a separate additional amount which would include cost for other items, i.e. training and professional development, facility costs and supplies. You would receive each month in advance a monthly payment based on past service and a base rate. The CDHS would reconcile the accuracy of those payments with you each month as well, taking into consideration actual volume of service provided (using the CDHS' current process for examining invoices/vouchers for accuracy and eligibility) and making an adjustment for actual cost incurred by your center during the month. How would this system affect whether you are paid or paid on time?

   A. Significantly improve
   B. Minimally improve
   C. No effect
   D. Minimally worsen
   E. Significantly worsen

52. **Automated eligibility.** Your facility would be allowed to enter eligibility information on-line for clients and counties would perform the actual determination of eligibility. You would have continuing access to this automated eligibility system giving you the ability to verify a client's eligibility status at any time. How would this system affect whether you are paid or paid on time?

   A. Significantly improve
   B. Minimally improve
   C. No effect
   D. Minimally worsen
   E. Significantly worsen

53. **Electronic funds transfer (EFT).** The current system would be maintained and enhanced by requiring county auditors or the Auditor of State to process child care payments to providers through electronic funds transfer. How would this system affect whether you are paid or paid on time?

   A. Significantly improve
   B. Minimally improve
   C. No effect
   D. Minimally worsen
   E. Significantly worsen

54. **Electronic benefits transfer (EBT):** Eligible parents would swipe a magnetic "smart card" through a reader at your facility connected live or hooked up daily to the county. How would this system affect whether you are paid or paid on time?

   A. Significantly improve
   B. Minimally improve
   C. No effect
   D. Minimally worsen
   E. Significantly worsen

QUALITY

Parents and child care experts know that young children grow, change and develop at an amazing rate. They know, perhaps instinctively, that their interactions with young children and children's interaction with their surroundings stimulate the growing process. And now, scientific research has confirmed that the experiences in the first three years after birth determine the actual wiring of the brain. Recent national studies confirm that children do better in high-quality programs than in poor-quality care. Children in high-quality centers have greater language ability, better pre-math skills, and more advanced social skills than children in poor-quality programs.

PLEASE CIRCLE CORRECT ANSWER AND/OR FILL-IN BLANK!

55. Does your child care facility meet any standards in addition to those required for Licensure, i.e., **National Association for the Education of Young Children (NAEYC), National Association of Family Day Care (NAFDC), Head Start, American Camp Association (ACA)**, etc.?

    YES NO
    Please List: ______________________________
    ____
    ____

56. Does your child care facility survey parents regarding their satisfaction with the care their children receive in your facility?

    YES NO
    If NO, go to question 58.

57. What percentage of parents are satisfied with the care their children receive in your facility?

    ______%

58. Does your child care facility pay for health care insurance for your employees?

    YES NO

59. Does your child care facility pay for any other benefits, such as pension, vacation, sick, personal leave, life insurance, other? Please check all that apply:
    1. Vacation Leave
    2. Sick Leave
    3. Personal Leave
    4. Life Insurance
    5. Educational Leave
    6. Pension
    7. Other (describe)______________________________

60. Does your child care facility offer in-service training to your employees?

YES NO

61. Does your child care facility pay for employees to attend professional development programs?

YES NO

62. Does your child care facility have a formal partnership with a Head Start provider to provide full day/full year care for all children?

YES NO

PLEASE SIGN

It may be necessary to follow-up with your licensed child care facility to clarify information provided. To assist with the clarification process, please provide name(s) and title(s) of person(s) completing survey. Once again, on behalf of the Ohio Department of Human Services and the Ohio Legislative Budget Office, thank you for taking the time to complete this survey. ***ALL INFORMATION WHICH IDENTIFIES A SPECIFIC LICENSED CHILD CARE FACILITY AND/OR PROVIDER(S) WILL REMAIN CONFIDENTIAL.***

NAME ____________ TITLE ____________ DATE ____________

ADDITIONAL INFORMATION

Please ensure all responses are numbered according to the question(s) being answered.

Appendix C

Ohio Legislative Budget Office
Child Care Payment Study
Follow-up Survey of Licensed Child Care Providers

Hello, may I speak with the center director, please?

My name is __________ and I am with the Ohio Legislative Budget Office. The Legislature has asked our office to study the publicly-funded child care payment system. We are contacting licensed providers who <u>*did not*</u> *respond to the Market Rate Survey (sent in April) to better determine how representative are our survey results.*

Do you have a moment to answer ***<u>five, brief</u>*** *questions?*

Good. For the first two questions, I will read the question and please stop me when you hear the correct answer.

1. What type of licensed child care facility do you operate?

   A. Type A   Family Child Care Home
   B. Type C   Child Care Center
   C. Type D   Day Camp
   D. Not Applicable

2. What type of business is your licensed child care facility?

   A. For-profit, single location
   B. For-profit, multiple location
   C. Not-for-profit, single location
   D. Not-for-profit, multiple location

3. Are you part of an agency or organization that provides services other than child care?

   YES   NO

4. Do you serve publicly-subsidized children (that is, children for whom a county Department of Job & Family Services pays all or part of the cost of care)?

   YES (If yes, skip the next question)
   NO

5. What are the top three reasons why you don't offer subsidized child care?

   1. ____
   2. ____
   3. ____

That's the end of this follow-up survey. Could I have your name and title for our records, please

Name: **_____________________________________** ***Title:*** **______________________**

On behalf of the Ohio Legislative Budget Office, I thank you for your help.

Appendix D

Appendix D

ODJFS-Licensed Providers by County						
	State Licensing Report		Mail Survey Responses		Telephone Follow-up of Non-Respondents	
County Name	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Adams	2	0.06%	1	0.06%	0	0.00%
Allen	29	0.86%	24	1.39%	0	0.00%
Ashland	11	0.33%	6	0.35%	0	0.00%
Ashtabula	23	0.68%	14	0.81%	0	0.00%
Athens	14	0.42%	6	0.35%	0	0.00%
Auglaize	10	0.30%	7	0.40%	0	0.00%
Belmont	9	0.27%	7	0.40%	0	0.00%
Brown	6	0.18%	3	0.17%	0	0.00%
Butler	105	3.12%	44	2.54%	4	3.25%
Carroll	4	0.12%	3	0.17%	0	0.00%
Champaign	9	0.27%	4	0.23%	0	0.00%
Clark	32	0.95%	15	0.87%	0	0.00%
Clermont	47	1.40%	19	1.10%	0	0.00%
Clinton	11	0.33%	4	0.23%	2	1.63%
Columbiana	25	0.74%	12	0.69%	1	0.81%
Coshocton	5	0.15%	1	0.06%	0	0.00%
Crawford	11	0.33%	6	0.35%	1	0.81%
Cuyahoga	445	13.22%	245	14.15%	18	14.63%
Darke	6	0.18%	5	0.29%	0	0.00%
Defiance	11	0.33%	7	0.40%	0	0.00%
Delaware	34	1.01%	19	1.10%	2	1.63%
Erie	19	0.56%	17	0.98%	1	0.81%
Fairfield	40	1.19%	20	1.16%	0	0.00%
Fayette	2	0.06%	2	0.12%	0	0.00%
Franklin	395	11.73%	185	10.69%	15	12.20%
Fulton	14	0.42%	3	0.17%	2	1.63%
Gallia	6	0.18%	6	0.35%	0	0.00%
Geauga	31	0.92%	14	0.81%	0	0.00%
Greene	45	1.34%	22	1.27%	2	1.63%
Guernsey	12	0.36%	2	0.12%	0	0.00%
Hamilton	320	9.51%	155	8.95%	11	8.94%
Hancock	28	0.83%	19	1.10%	1	0.81%
Hardin	6	0.18%	5	0.29%	0	0.00%
Harrison	2	0.06%	1	0.06%	0	0.00%
Henry	10	0.30%	8	0.46%	0	0.00%
Highland	5	0.15%	2	0.12%	0	0.00%
Hocking	3	0.09%	4	0.23%	0	0.00%
Holmes	2	0.06%	2	0.12%	1	0.81%
Huron	9	0.27%	4	0.23%	1	0.81%
Jackson	6	0.18%	3	0.17%	0	0.00%
Jefferson	10	0.30%	4	0.23%	0	0.00%
Knox	6	0.18%	3	0.17%	0	0.00%
Lake	70	2.08%	44	2.54%	3	2.44%
Lawrence	5	0.15%	2	0.12%	0	0.00%
Licking	38	1.13%	16	0.92%	2	1.63%

ODJFS-Licensed Providers by County						
	State Licensing Report		Mail Survey Responses		Telephone Follow-up of Non-Respondents	
County Name	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Logan	10	0.30%	5	0.29%	1	0.81%
Lorain	88	2.61%	42	2.43%	6	4.88%
Lucas	175	5.20%	115	6.64%	6	4.88%
Madison	7	0.21%	4	0.23%	0	0.00%
Mahoning	94	2.79%	42	2.43%	6	4.88%
Marion	14	0.42%	8	0.46%	0	0.00%
Medina	42	1.25%	15	0.87%	1	0.81%
Meigs	2	0.06%	0	0.00%	0	0.00%
Mercer	7	0.21%	7	0.40%	0	0.00%
Miami	23	0.68%	18	1.04%	1	0.81%
Monroe	1	0.03%	2	0.12%	0	0.00%
Montgomery	199	5.91%	75	4.33%	10	8.13%
Morgan	2	0.06%	2	0.12%	0	0.00%
Morrow	3	0.09%	2	0.12%	0	0.00%
Muskingum	20	0.59%	9	0.52%	1	0.81%
Noble	1	0.03%	1	0.06%	1	0.81%
Ottawa	13	0.39%	9	0.52%	0	0.00%
Paulding	4	0.12%	3	0.17%	0	0.00%
Perry	4	0.12%	2	0.12%	0	0.00%
Pickaway	5	0.15%	2	0.12%	0	0.00%
Pike	2	0.06%	0	0.00%	0	0.00%
Portage	41	1.22%	21	1.21%	1	0.81%
Preble	8	0.24%	5	0.29%	1	0.81%
Putnam	8	0.24%	7	0.40%	0	0.00%
Richland	33	0.98%	16	0.92%	1	0.81%
Ross	13	0.39%	9	0.52%	0	0.00%
Sandusky	15	0.45%	13	0.75%	0	0.00%
Scioto	14	0.42%	5	0.29%	1	0.81%
Seneca	10	0.30%	7	0.40%	1	0.81%
Shelby	11	0.33%	9	0.52%	0	0.00%
Stark	118	3.51%	67	3.87%	9	7.32%
Summit	193	5.73%	80	4.62%	7	5.69%
Trumbull	55	1.63%	25	1.44%	2	1.63%
Tuscarawas	23	0.68%	20	1.16%	0	0.00%
Union	6	0.18%	3	0.17%	0	0.00%
Van Wert	7	0.21%	6	0.35%	0	0.00%
Vinton	2	0.06%	1	0.06%	0	0.00%
Warren	50	1.49%	19	1.10%	0	0.00%
Washington	21	0.62%	11	0.64%	0	0.00%
Wayne	34	1.01%	17	0.98%	0	0.00%
Williams	12	0.36%	8	0.46%	0	0.00%
Wood	40	1.19%	21	1.21%	0	0.00%
Wyandot	3	0.09%	3	0.17%	0	0.00%
Total	3366		1731		123	

Source: Ohio Department of Job and Family Services, Report NRP510RA (March 27, 2000); Ohio 2000 Child Care Market Rate Survey; Ohio Legislative Budget Office Telephone Survey of MRS Non-respondents. Percentages do not total to 100 percent because of rounding.