

# Child-care assistance: Providers face big losses—and hard decisions

A sampling of CCA losses and accompanying comments from a recent survey of child-care providers:

**Annual CCA loss: \$55,900**

“We make on average 35 percent less on the state-funded children. Plus, we need full-time children to fill our spots, and DHS doesn’t always cover full-time child care. Then we lose even more money by accepting them.”

**Annual CCA loss: \$28,000**

“We have historically served low-income and at-risk children in our community, and continue to be one of largest providers of child care to children funded through the child-care assistance program. ... We are shifting our marketing focus towards private-pay families or families with other funding sources that pay our full unit cost. To continue to serve large numbers of state clients at the present reimbursement rates is no longer a financially viable option for our agency.”

**Annual CCA loss: \$45,000**

“We feel it is very important to give equal access to quality care for people receiving child-care assistance. As a small, non-profit center in a rural community, however, it is becoming increasingly difficult to justify such large losses each year.”

**Annual CCA loss: \$16,000**

“I have thought about [dropping child-care assistance], but I do believe that children who meet these requirements need QUALITY care and this may be the only time they receive food and educational opportunities. ... We do have to cut this loss somewhere in the budget, which usually ends up hitting raises for my staff, who are so deserving.”

**Annual CCA loss: \$84,000**

“We are the only LARGE center we know of in [our area] that does NOT have a [cap] on students with child-care assistance. The owner has always had these children in her heart and wants to ensure they have a safe place to learn and grow. HOWEVER, we are suffering financially. We will continue to care for these children as long as possible, but we are not sure how long we can continue ...”

**Annual CCA loss: \$70,457**

“I, like many other centers in my area, am discontinuing the CCA program. It is impossible to operate a business when we have to wait on a payment that is substantially less than what our private-pay families make.”

**Annual CCA loss: Same rates for private-pay and CCA**

“Because of the community we’re located in, 98 percent of our clientele are state-funded. Since the majority are state funded, it wouldn’t make sense for us to charge higher rates for our couple of private-pay clients. Because we are not receiving rates that are competitive with other centers, we find it difficult to compete with those centers—providing better teachers, replenishing toys and supplies, making building repairs when necessary, etc.”

**Annual CCA loss: \$221,129**

“We only accept families that are allocated a minimum of 8 units per week as we simply cannot afford to take any less than that. ... If the rates were increased we could retain families that were allocated less than 8 units per week, and might be willing to increase the number of students we accept.”

Note: Providers calculated their losses (difference between what they receive from CCA and what they would receive from private-pay families) independently; the providers shown here work in a variety of child-care settings.

# Child-care assistance: Iowa providers feel the pain of low reimbursement rates

## Child-care assistance in Iowa

- Iowa invests \$130 million in state and federal funds in child-care assistance (CCA), serving **23,000 children**. Those dollars flow directly into local economies across the state.
- Families with incomes up to **145 percent of the poverty level** (\$32,412 for a family of four) are eligible for assistance while working or attending school. Those with incomes over 100 percent of poverty pay part of the cost, based on a sliding scale.

## CCA reimburses providers for the care they give

- National standards call for reimbursing at the **75th percentile of market rate**—that is, a rate that provides families access to 75 percent of local providers.
- Iowa's reimbursement rate is far below the standard: 75th percentile of the **2004 market rate** (approved in 2006), plus a modest 2 percent (approved in 2008).

## When adequately funded, CCA:

- Makes child care affordable and available so **low-income parents can be productive workers**.
- **Encourages healthy development** in children by improving access to quality care. Quality early-childhood experiences support success in school and beyond.

**E**very Child Counts recently surveyed Iowa child-care owners and directors on the financial ramifications of the state's child-care assistance program. The responses were stark: Because the rates they are paid through the program are so low relative to current market rates, providers reported significant losses by accepting child-care subsidies (see reverse for examples). As a result, providers who can fill those slots with private-pay families reported they are increasingly choosing to do so. Providers in areas with few private-pay families reported sacrificing quality—in teacher pay, materials, repairs—to balance the books.

This should worry Iowans concerned about the our next generation of workers and leaders. Quality early-childhood experiences are linked to a wide variety of positive outcomes later on. Inadequate reimbursement threatens Iowa's long-held value of providing equal opportunity to all children. Said one center director:

**“On one hand, the state requires providers to demonstrate increasing “quality” in their program services, especially in light of what research shows about the impact of “quality” services on low-income and at-risk children. On the other hand, the state continues a reimbursement system that does not support such services for the state’s clients. Fiscal reality is driving quality programs, including providers whose mission has been to serve low-income families, to serve fewer state-funded clients. As this fiscal reality grows, it is creating a two-tiered early-childhood system in Iowa—a quality system for those who can afford to pay the cost, and a low- or no-quality system for low-income families with little options available to them.”**

**But there's a solution.** Lawmakers should increase the CCA provider reimbursement rate to reflect the true cost of quality care today. It's right to pay our hard-working providers a rate that attracts and retains the best of them and ensures a high-quality early-childhood experience for Iowa kids who need it most.

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For more information on improving child care in Iowa, contact Sheila Hansen, Every Child Counts director, at 515-280-9027 or [shansen@cfpciowa.org](mailto:shansen@cfpciowa.org). ECC is an initiative of the Child and Family Policy Center. Learn more at [www.cfpciowa.org](http://www.cfpciowa.org).

