



State Learning Community Call on Strategies Used to Increase Reimbursement Rates

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Presenters included: Clinton MacSherry: Maryland Family Network, Rita Furlow: Maine Kids, Sheila Hansen: Child and Family Policy Center, Jeff Guilfoyle: Public Sector Consultants.

Clinton MacSherry (Maryland)

- Overview
 - Maryland hasn't raised rates in about 18 years.
 - Maryland's work began with the CCDBG reauthorization in 2014. It became especially intense with the publication of the final rule about rates because it hammered home equal access.
 - They capitalized on the public attention on rates and prevailed in the Joint Commission on Children, Youth, and Families which held an unprecedented four child care hearings.
 - Linda Smith testified at one of the hearings and pointed out that Maryland's rates were among the worst in the country. Maryland advocates with support from the annual NWLC report and research on other state plans found evidence to support her claim and determined that Maryland was tied with two other states for the lowest rates in the country at 9 percent of a current market rate survey.
 - They got good press at the beginning of their legislative session from stories that featured struggling teachers, parents, and providers. Stories were challenging to get but proved beneficial because:
 - The stories calmed fiscal conservatives.
 - Demonstrated the rising concern about the lack of child care.
- Goals
 - Increase eligibility rates for families,
 - Lower co-pays,
 - Encourage more child care programs to accept subsidized children (by raising rates),
 - Provide more access to child care for families (by raising rates),

- Sustain and improve programs.
- Budget
 - Bill SB079 (CH0564) requires the state to increase the rate level over three years. It uses \$22 million of Maryland's new \$30 million CCDBG funding.
 - The bill mandates a minimum level of funding for programs for future years based off of FY18 or FY19, whichever is higher. It added \$100 million moving forward to guard against cost shifting.
 - Rates will increase to the 35th percentile, then the 45th, and then the floor of 60th percentile.
 - Once the 60th percentile mark is hit in the final phase, it becomes the minimum. Rates cannot fall below that percentile.
 - Did not want to increase rates only to have co pays increased or a wait list instituted.
 - The Governor signed the bill, he could have let it pass without a signature but decided to take an active step.
 - Our rates were so abysmally low that by raising them we:
 - Encouraged more providers to accept subsidies,
 - Helped providers in poor communities sustain their programs,
 - Raised the quality of child care.

Rita Furlow (Maine)

- Overview
 - Provider payment rates were at the 75th percentile prior to 2011 and were cut to the 50th percentile prior to 2012 and the beginning of Governor LePage's administration.
 - This led to a significant decline in the amount of providers willing to participate in the Child Care Subsidy Program.
 - Maine is seeing a growing concern about the lack of access to quality child care.
 - This past year had the largest number of child care bills.
 - The legislature was so overwhelmed that they decided to push them over to the second session and heard all the bills at the same time.
 - There were 2 bills specifically designed to increase rates, although other bills also included rate increases.
 - The timing of these bills was beneficial as the second session began at the same time Congress agreed to the budget that included the increase the CCDBG funding. Rita was able to tell the Committee about the new funding which was definitely key to their enthusiasm for the bill.
 - The bills gained momentum with a terrific coalition of Main Head Start, Community Action, NAEYC, Fight Crime, as well as Maine Kids.

- Budget

- Maine will use a significant chunk of new federal money for the rate increase.
 - The state initially thought it was \$9 million but is actually about \$6 million.
- Maine passed L.D. 166 which increases the reimbursement rates for child care providers from the 50th percentile of the local market rate to the 75th percentile.
 - It was divided out of committee –had support of all the Democrats but only one Republican.
 - Eventually passed the House and the Senate. The bill survived being threatened with poison pill amendments.
 - Governor vetoed this bill but the legislature overrode it. This was pretty extraordinary given that Republicans control the Senate and there are a pretty solid block of conservatives in the House.
 - A few Republican senators who championed the bill were critical to its success. One Senator had worked on home visiting and the fingerprinting bill.

Sheila Hansen (Iowa)

- Overview

- Iowa had a huge fight over whether the child care funding was one-time only at the beginning of the process.
- Iowa has the 2nd or 3rd highest percentage of parents in the work force with children under six as well as a labor shortage.
 - The lack of child care is a barrier to employers finding workers.
 - There are areas in the state with no providers.
- Iowa has a Republican governor and legislature.
 - There was misinformation about CCDBG funding, which caused conservative legislators to believe that it was one time only increase.
 - Advocates had to fight against a conservative HHS as well.
 - Action wasn't taken until the state was positive that the money would not be only one time funding.
- The current HHS chair was retiring and had been an advocate for kids (worked with him on child care proposals by convincing him not to leave the office without having been a true champion for child care).
 - Got several state agencies and councils, most significantly the United Way, to join together across the state.
 - Forty organizations in total supported their efforts including the Iowa Business and Industry and Iowa Business Council.

- Goals

- To increase the reimbursement rates for providers for infants and to increase family income eligibility level to increase access to quality care.
- To add to Child Care Plus, a program to address the cliff effect.
- Budget
 - Advocates asked for an increase in the current market rate and an increase in eligibility.
 - The legislature agreed to increase the provider rates for infants and toddlers to the 75th percentile of 2014 market rate for providers who participate in the Quality Rating System. Quality set aside dollars will be used for this expansion. An additional \$3 million was appropriated from the general fund to address low reimbursement rates for all providers at or below 50th percentile of market rates. Providers will see incremental rate increases. The increases do not go into effect until in January, 2019.
 - Without the federal money HHS would have had to create a waiting list.
 - Iowa receives \$82 million in federal funds and \$28 million in state funding for its Child Care Assistance Program.
 - The new federal funding will add \$19 million for FY 18 and FY 19.
 - They have funding left over and are waiting to see how much it will cost to add to the Child Care Plus Program.

Jeff Guilfoyle (Michigan)

- Overview
 - Last year Michigan increased child care spending.
 - Michigan was not drawing down its full federal allocation and a lot of advocacy from a number of groups resulted in funding in last year's budget to draw down the full amount and increase rates. Michigan's Children and the Michigan League for Public Policy had been doing a lot of work in this space over time.
 - In 2016, when the Office of Early Learning began working on a plan to increase spending for child care, Public Sector Consultant wrote an advocacy report on how to improve Michigan's child care system –including a state research scan, focus groups, and online surveys (reached about 1000 people). They created [a list of recommendations](#) for specific elements of the child care system.
 - Caught the attention of policy makers. The Governor's office, his education advisors, legislators, and legislative staffs read the proposal and were amenable to the recommended changes.
 - The Governor's education staff asked for recommendations.
 - Wrote a memo for the governor's office with the costs of increasing eligibility, increasing reimbursement rates, and streamlining the application process

- The administration was able to get answers from advocates that their internal agencies couldn't answer. (eg. How much would it cost to raise the reimbursement rates for various levels? How many more children would be served by increasing the eligibility cut off?)
 - By working with the Governor's staff and the Office of Great Start, they were able to move the proposal forward.
 - Used media, graphics, and this [Child Care Video](#) for advocacy. Used media to highlight the problems with MI's child care system and proposed solutions.
 - The Children's Leadership Council a group of Michigan business leaders that advocate for early education also testified.
 - The eligibility threshold increased in Michigan and entry rates increased for the 2018 budget.
 - \$5.5 million was spent to increase the threshold from 125% to 130% above the federal poverty line.
 - \$19 million was used to increase reimbursement rates.
 - Michigan pulled down its full federal allocation as well.
- 2018
 - Michigan is one of the few states that uses hourly rates.
 - The state government thought that the new federal money was one time only-so they were slow out of the gate when it came to putting forth budget increases.
 - The Senate budget included an increase in the eligibility threshold and a change from hourly rates to biweekly rates for payments. The final bill dropped the eligibility increase. Previously, the state had raised the exit eligibility threshold to 250 percent of poverty and instituted 12 month eligibility. As a result, most families are staying on longer and Michigan has seen a significant spike in caseloads. They had been previously struggling to spend their full federal allocation and seeing caseloads decline before the changes. A lot of the new federal money went into helping cover the changes (\$25 million of the \$65 million).
 - The spike made people nervous about spending more of the new money. They did get about \$40 million of their \$65 million allocation spent in the FY 19 budget.
 - Will have FY 18 money to work on getting appropriated going forward into the future.

Discussion

- **Kentucky:**
 - Huge turnover in staff from top down,
 - Need to circle back later this week to see if we are still on target for the rate increase,

- Where we left it, last we were looking at the cost analysis.
- **New York:**
 - Huge advocacy around market rate increase and expanding access,
 - We had the market rate at the 75th percentile and it went down to the 69th percentile a few years back. Significant energy around trying to take advantage of the new priority for infants and toddlers and raise reimbursements for center based care as family child care has fairly decent reimbursements.
 - Working to have the federal delegation be active in the appropriations process as Senator Schumer and Representative Nita Lowey are from NY. We face extraordinary costs in meeting the key regulatory requirements around inspections and background checks. This results in significant challenges to find the funding to improve access.
- **California:**
 - Similar to New York around the access question. And we pushed hard this budget to increase spaces. It looks like we will make some inroads but still will have major gaps particularly for infants and toddlers.
 - Raised the rates for infants and toddlers and children with special needs in the budget,
 - There was a big push a couple of years back to increase reimbursement rates tied to the minimum wage.
 - Now we are seeing the question about whether the rate increase that they received is helping with wages and increasing the minimum wage.
- **Texas:**
 - We are seeing some of the same issues.
 - There are about to 70,000 kids on the wait list.
 - Allowing local budgets to support increased reimbursements,
 - We have more momentum than ever before.
 - There is support for policy change but not yet concrete policy.
 - Austin Statesman reporter is planning on doing an investigative piece on child care in Texas. Talking about PWC (lead agency) and the licensing part of Texas
- **Arizona:**
 - Arizona operates at the 75th percentile of the 2000 market rate survey.
 - There is no state money in the child care subsidy program.
 - The Legislature adjourned without the authority to expand the budget to include the \$56 million CCDBG increase.
 - The Governor's office said that the delay was because there wasn't a plan for spending the money but in actuality specific legislators were concerned about raising rates.
 - To fix this issue advocates are working with the media and legislators.
 - Putting together a partnership and working with state agencies,
 - Considering advocating at the federal level to oppose a waiver on their rates.

Reminders

- Helen Blank:
 - We have worked very hard on the one time only issue and HHS has now reported to the states what Congress expected from the funds and referred to the report language accompanying the Appropriations bill that provides guidance for states on uses of the funds (implementation of the 2014 CCDBG reauthorization, payment rates, health and safety, access to assistance).
 - Legislators like to hear about how helpful the money is and its importance.
 - The extension of the State plan to August 31st may signal that the HHS want states to include the extra funding in their budget.
 - Keep at it! The work you are doing is helping us put together the great ways that states are using the money which can be shared with members of Congress.
 - Our next call will be in early August.