



Cost Driven System and Policy Change

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Welcome



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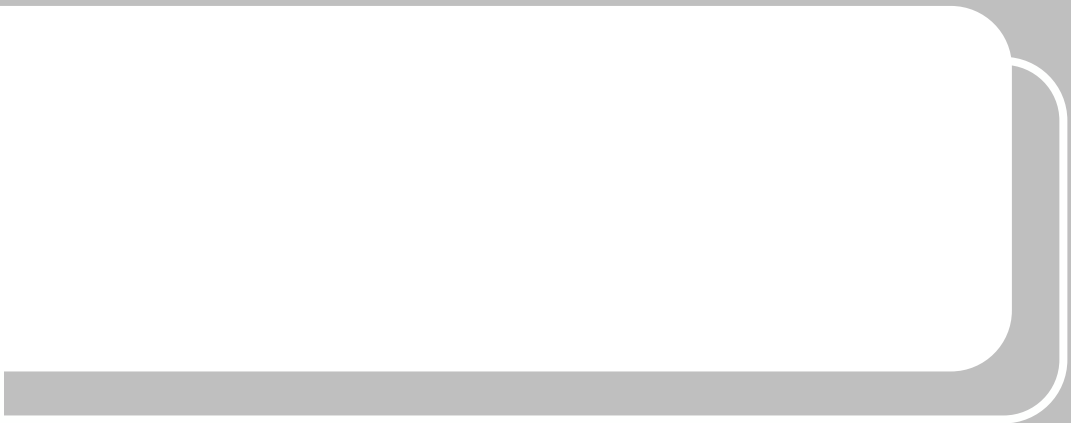
Simon Workman

Prenatal to Five Fiscal Strategies



- Initiative focused on addressing the broken fiscal and governance structures that exist within the P5 system
- Founded in a set of shared principles that center the needs of children, families, providers, and the workforce and fundamentally re-thinks the current system in order to better tackle issues of equity of funding and access.
- Provides national leadership and direct support to states and communities

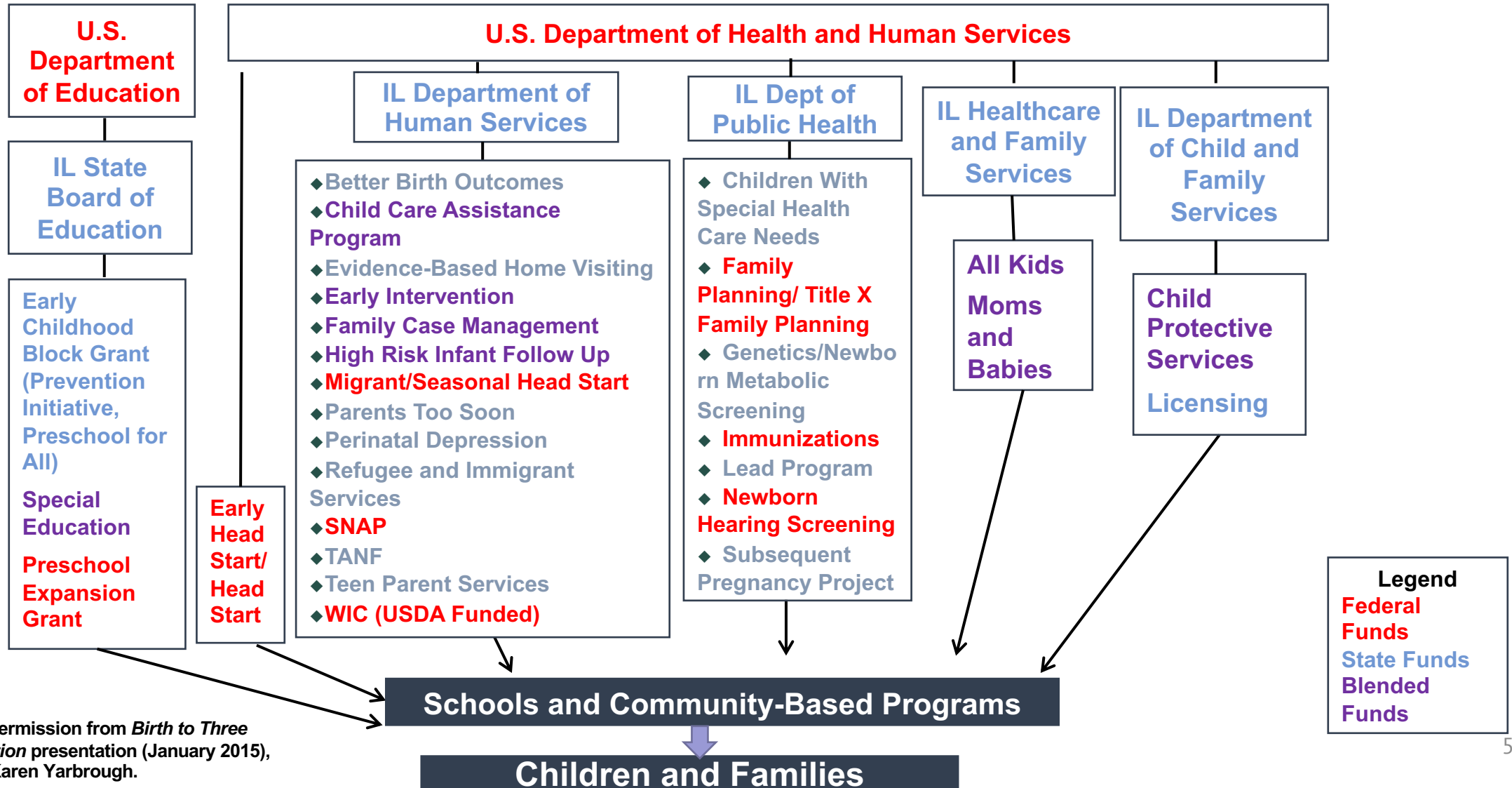
www.prenatal5fiscal.org



**Changing and building
systems:**
***The Prenatal to Five Fiscal
Strategies* approach**

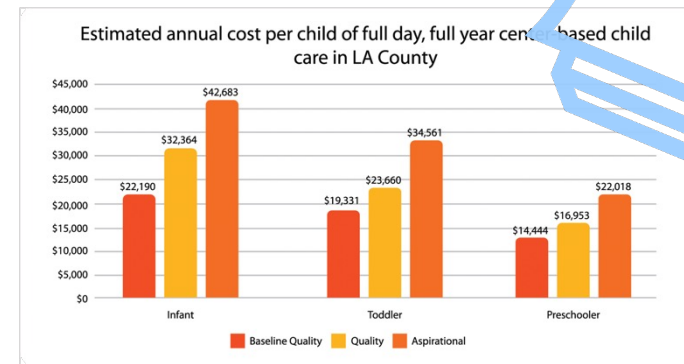
Illustration of the Problem

Illinois Birth to Five Funding Streams: Funding Drives Services and Programs



Current approach to the Prenatal to Five system

- Siloes across the prenatal to five system
- Complex system
 - Inefficient
 - Fails to meet families needs
 - Burdensome for providers and administrators.
- Solutions singular in focus, disconnected from prenatal to five system



Overarching Strategy

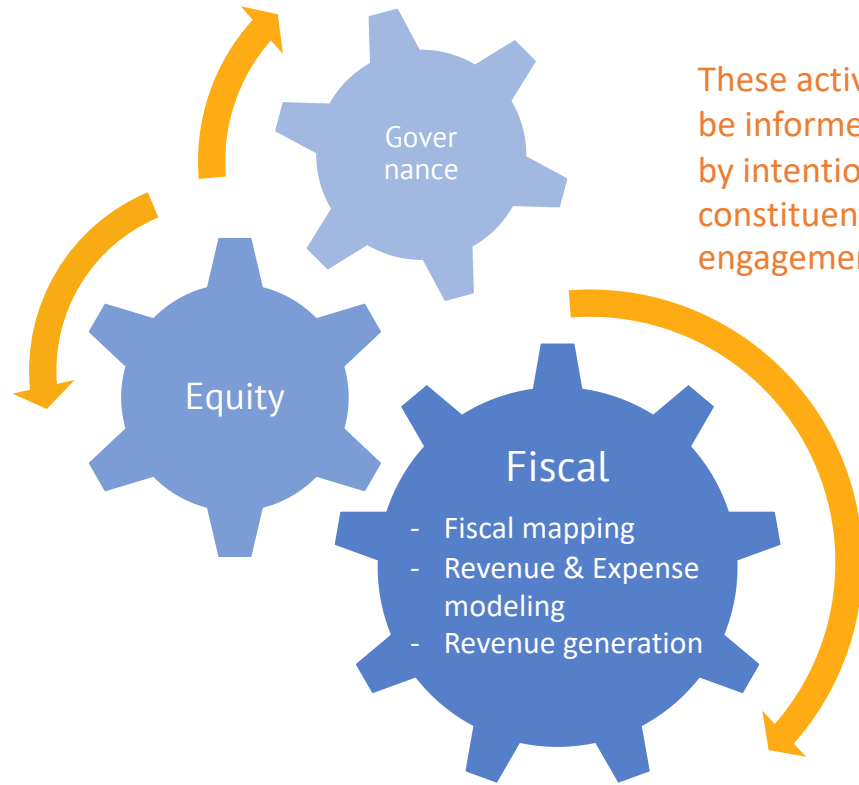
Increase investments

Better align current
investments

Develop funding and
governance structures that
maximize efficiency and
minimize burden

Comprehensive Fiscal Analysis

States and communities should make use of tools and resources to gather and analyze data to better understand their current system...



These activities should be informed and driven by intentional constituent engagement...

The results can inform and be utilized for a comprehensive fiscal approach that **increases funding, better aligns funding, and ensures efficient funding and governance structures...**

Comprehensive
Fiscal Approach

Policy – Program - Practice

All in service of a **comprehensive PN-5 system** that works for families, providers, businesses, and caregivers.

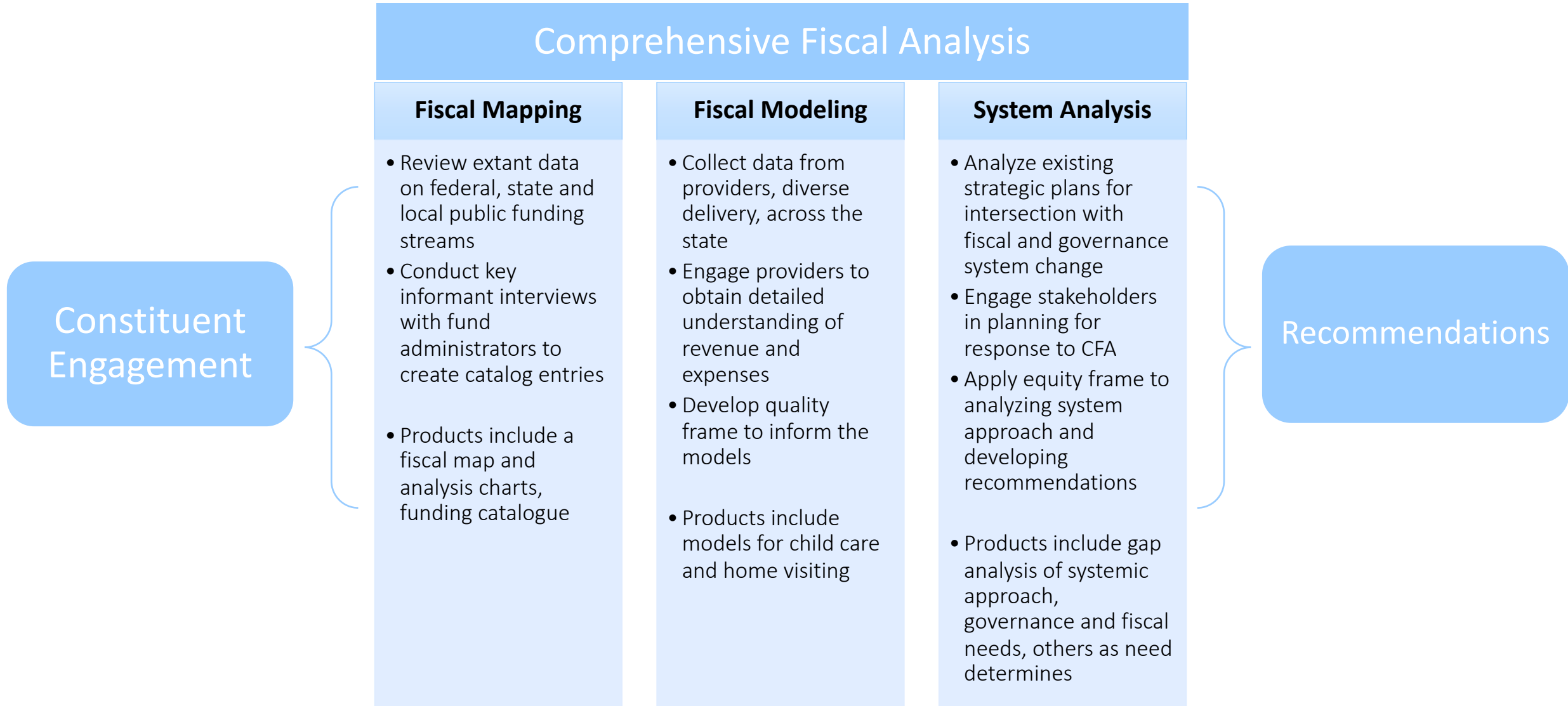


Engagement and Systems Change

Comprehensive Analysis

Vision for PN-5 System

Comprehensive Fiscal Analysis Approach



Cost Modeling



- Estimates the **cost of providing services** at different levels of intensity and the **resources needed** for a program to remain financially solvent
- Examines the **impact of multiple variables**, such as caseload, staff qualifications, program intensity, type of program delivered, geographic region, etc.
- **Identifies the gap** between the costs and the revenue sources
- Helps policymakers and other interested parties **understand the costs** associated with home visiting and parenting education programs and the idea of delivering a system of care of models
- **Not a prescriptive tool** on how to run a program or which programs are best

Direct Service

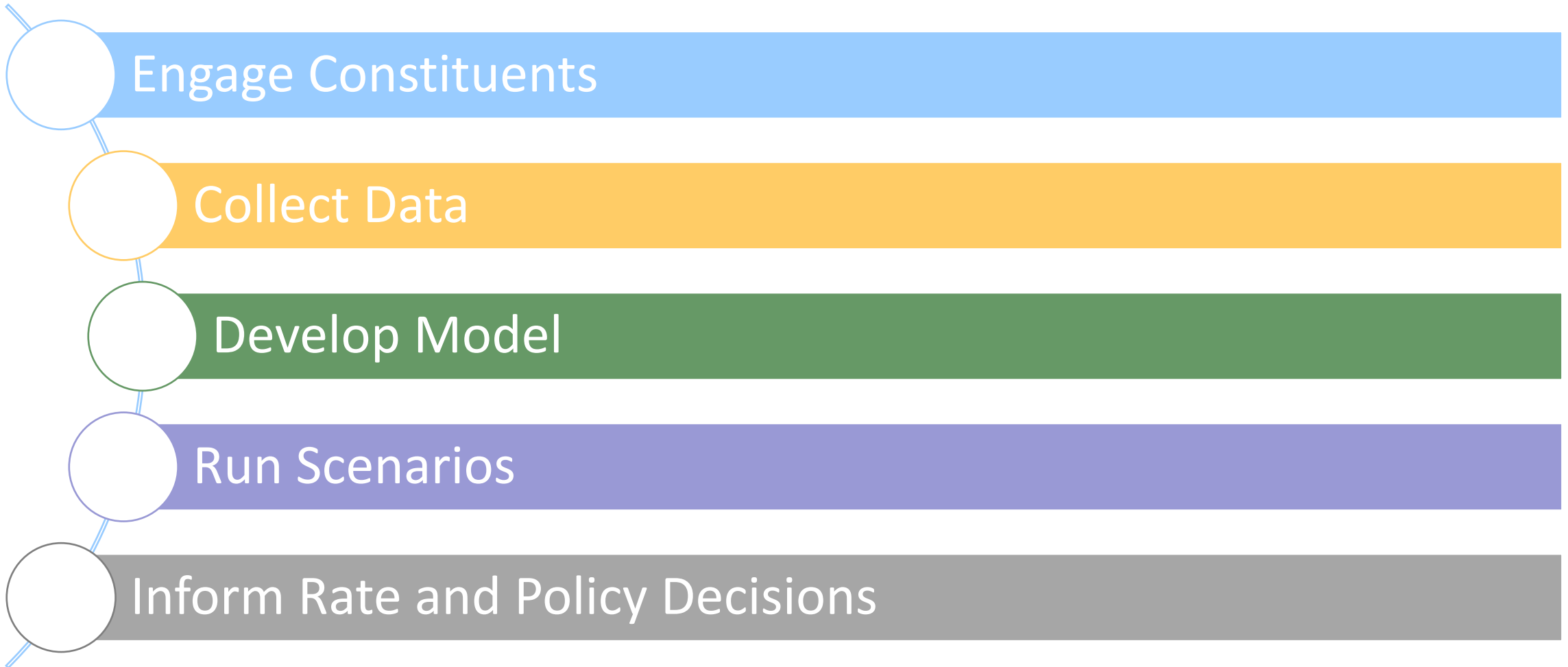
- Child Care
- PreK
- Home Visiting
- Early Intervention

Systems Modeling

- Quality supports
- Infrastructure
- State and local systems building



Key Stages in Developing a Cost Model



01

Using Cost to Inform Family Support Systems

Purpose of Home Visiting Modeling

Purpose: not for rate setting but to understand cost of multiple models in a community/state

Goals: to demonstrate the cost to maintain a multi model program approach, addressing the needs of varying levels of family need

Utilization

- At community and state level
- State level relies on good community assessment data
- Mapping **family need** and using it to inform the direct services in the system model



Engage Constituents

Comprehensive Fiscal Analysis Workgroup, made up of members from across the state and represented different sectors of the prenatal to five system.

Home Visiting Leadership Group, consisted of program administrators and advocacy partners

Data Collection and Analysis

Contract reviews - across federally funded models

Surveys – 20 different programs provided data on revenue and expenses and program operations

Input sessions - hosted 4 virtual input sessions, 80 staff

Total engagement: 183 programs across state, representing 20 different counties

Michigan: Exploring Impact of Salary Levels

Role	Bureau of Labor Statistics	MIT Living Wage
Program Supervisor	\$52,558	\$63,256
Home Visitor/Parent Educator	\$43,080	\$51,849
Nurse Home Visitor	\$54,090	\$64,812
Admin Support	\$32,300	\$39,884

Salaries reflective of the current market (BLS) demonstrate that on average home visiting is underfunded by 15%.

Salaries at a living wage drive up the cost per child for home visiting by 30% per child, depending on the home visiting model.

Michigan: Growing Home Visiting Services

Criteria to Stratify Population	Birth Rate: 119,000	Intensity of Service
By birth cohort, under 100% FPL	20% 23,800	High
By birth cohort, 100-200% FPL	22% 26,180	Medium intensity for most, low for a small percentage
By birth cohort, above 200% FPL	58% 69,020	Light touch

- **Statewide needs assessment: How many children need home visiting services and at what levels of intensity?**
- **Currently home visiting services reach: 21,496**

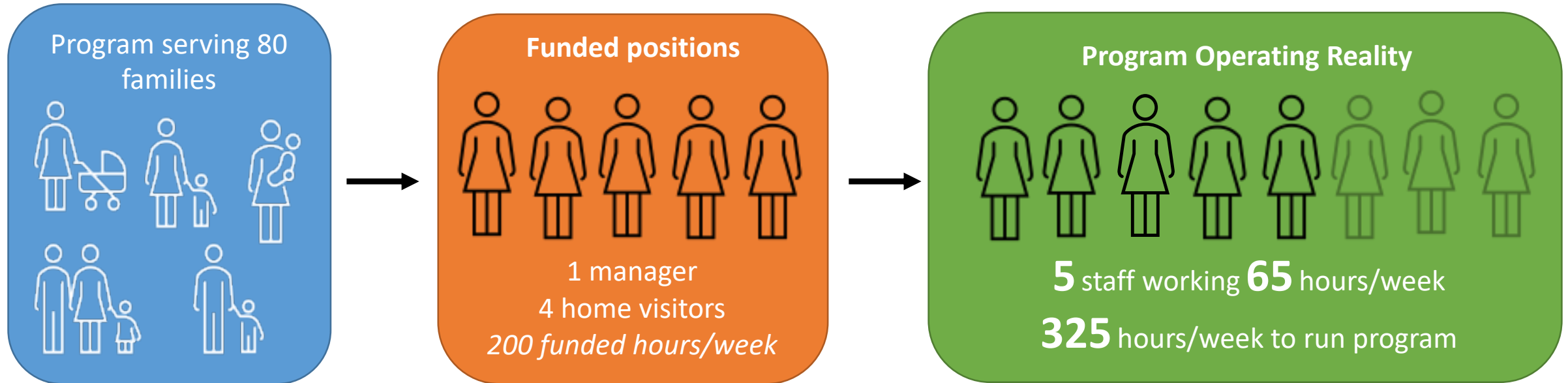
Michigan: Understanding Needed Investments

	Current Services and Salaries	Scenario One, Increase Salaries	Scenario Two, Increase Salaries and Service Capacity
Total Families Served/Slots*	21,496	21,496 families served	40,713 slots 47,634 families
Home Visiting Direct Service Costs	\$40,400,000	\$52,617,261	\$273,626,194
Home Visiting System Costs	\$3,149,085	\$5,261,726	\$27,362,619
Total HV Costs	\$43,549,085	\$57,878,987	\$300,988,813

Michigan Commitments:

- Aligned salary floor across child care and home visiting
- MIECHV administrator adopted living wage

Impact of Funding on Staffing Patterns



These additional 125 hours covered by the existing team include essential functions of the program:

- Administrative work
- Fiscal and contract management
- Intake and engagement of potential families
- Community connections
- Following up from and preparing for home visits and meetings

Note: Illustrative example based on aggregated real program data, not intended to represent any one model or program or state.

Understanding Funding in Relationship to Cost

Program Characteristics

80 families

Current Funding

\$ 2,000 per slot
\$160,000 annual funding

Cost

Actual cost of services:
\$4,600 per slot
\$368,000 total

Cost with living wage:
\$5,400 per slot
\$432,000 total

True cost:
\$6,800 per slot
\$544,000 total

Underfunding

	Actual cost	Living wage cost	True cost
Cost:	\$368,000	\$432,000	\$544,000
Funding:	\$160,000	\$160,000	\$160,000
Annual Gap:	\$208,000	\$272,000	\$384,000

The results of this historic under funding:

- High turnover
- Staff burn out
- Lack of pipeline of workforce for HV
- No history of knowledge and expertise leading and growing the field

Note: Illustrative example based on aggregated real program data, not intended to represent any one model or program or state.

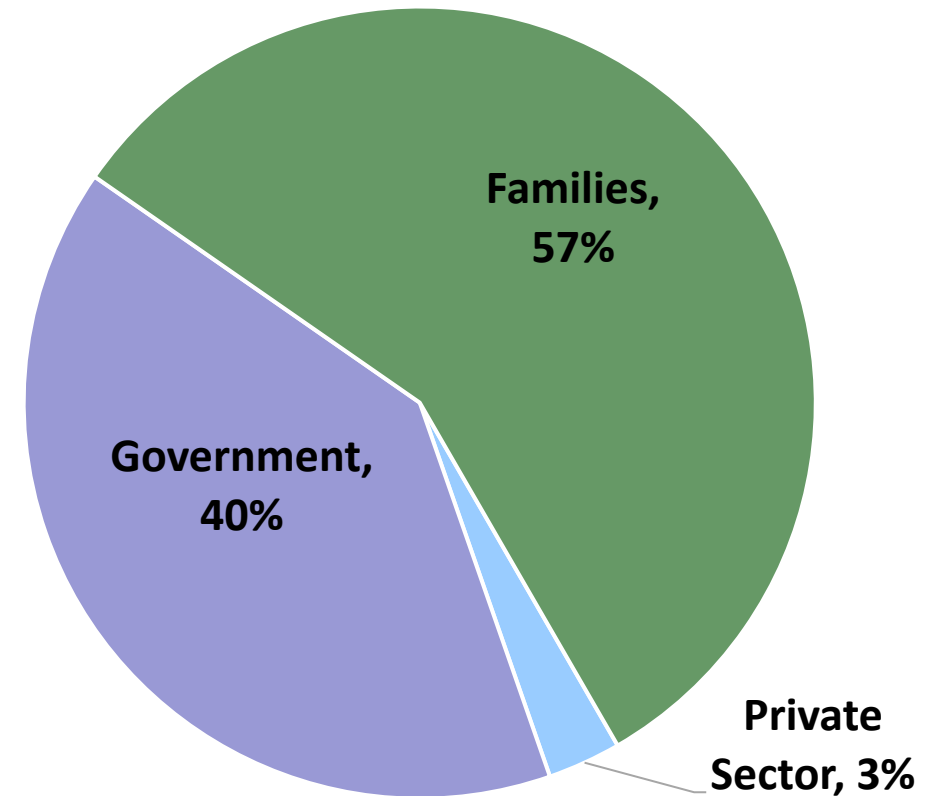
02

**Using cost of care to
inform child care
policy**

Mixed Delivery System:

- Non-profit child care center
- For-profit child care center
- Faith-based community programs
- Family child care home
- Family, friend, and neighbor care
- Head Start Centers
- School-based preschools
- Private preschools
- After-school programs

Primarily funded by families:



The Child Care Market is Broken

Private pay

- Families are price-sensitive consumers
- Higher quality ECE costs more than most families can afford, which lowers demand for quality
- ECE market encourages price competition – low tuition fees – which discourages supplier investment in quality.

Child care is a broken market that disincentivizes quality

Public Subsidy

- Public subsidy rates set to match market, but this embeds the market failures in the system
 - Providers in low-income areas must set rates low, but then receive low subsidy rate
- Very few state sets rates at the recommended percentile of the current market rate, decreasing the value of the voucher even further.



The Difference Between Price and Cost

Price

Reflects what the market can bear or what funding is available

Cost

Reflects the actual expenses a program incurs in order to operate

True cost

Reflects the estimated cost to operating a program at high-quality with increased workforce compensation

Key Stages in Developing a Cost Model



Engage Constituents

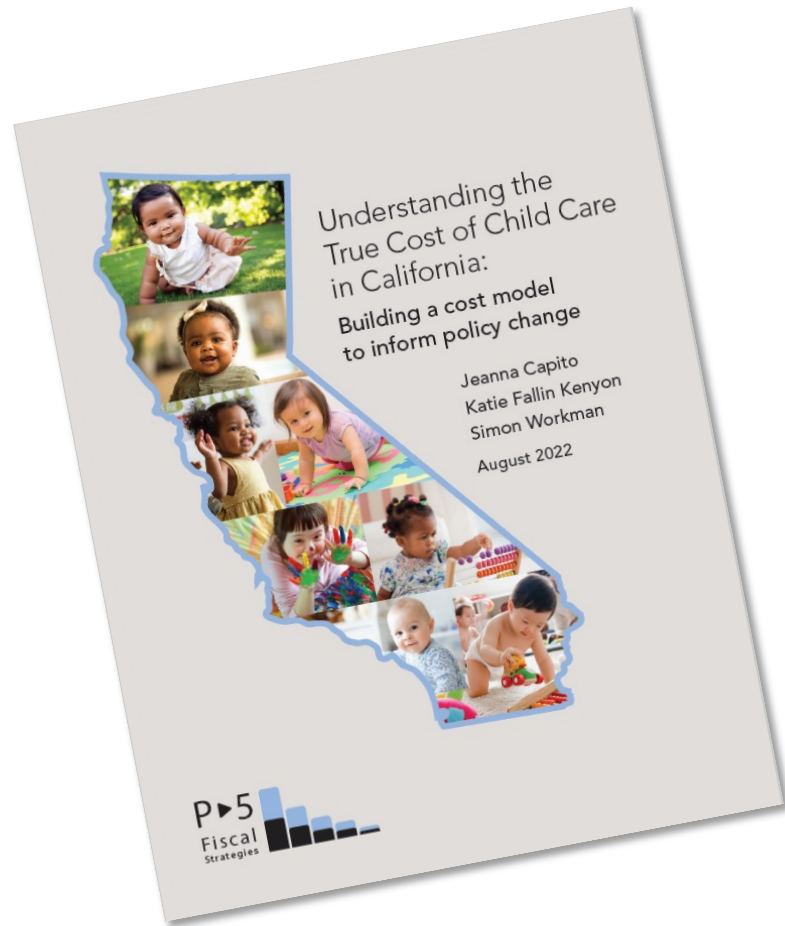
Collect Data

Develop Model

Run Scenarios

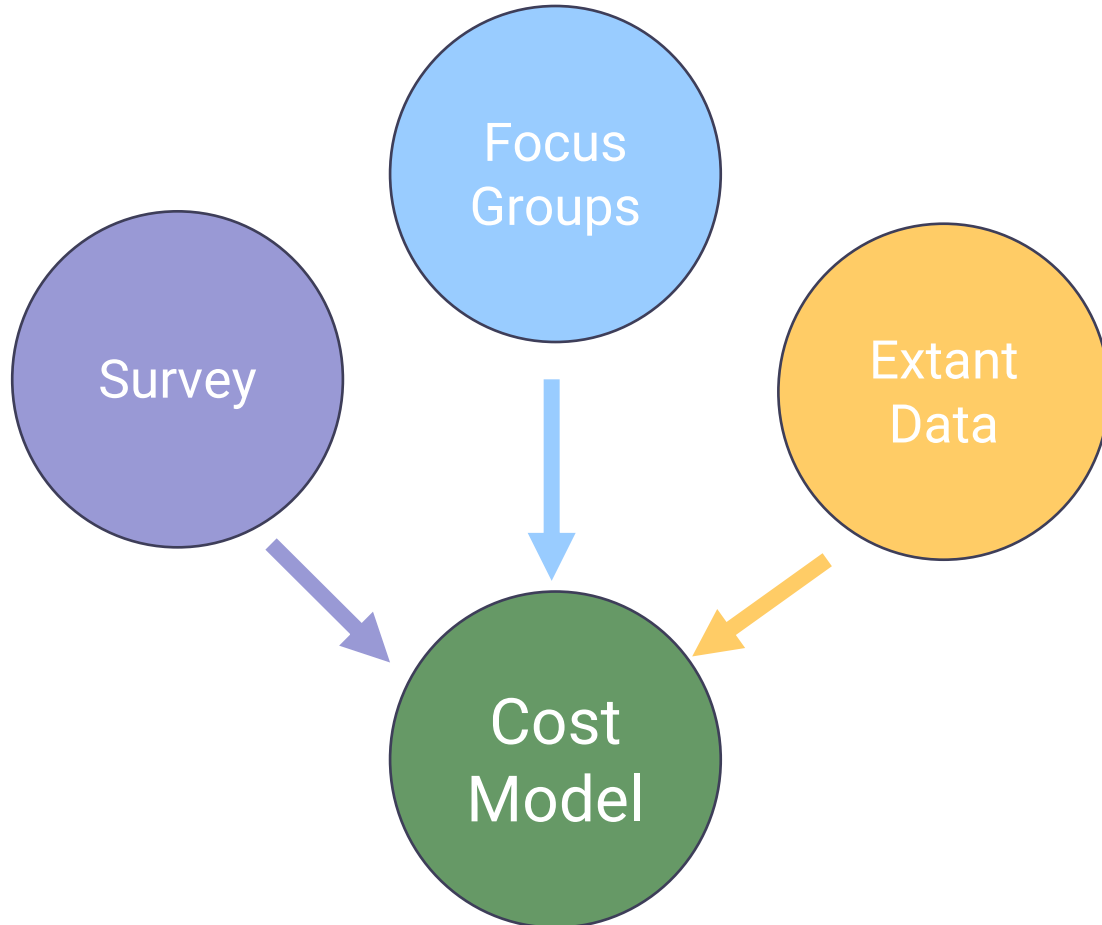
Inform Rate and Policy Decisions

Example: California Cost of Care Study, 2022



- Study conducted in 2022 to support California's Rate and Quality Workgroup
- Workgroup formed to make recommendations on how to determine public funding for child care
- Building on several years of work in the state to improve access and quality
- Goal of study to estimate the true cost of child care in California

California: Cost Model Inputs



Data collection period:

- April – July 2022

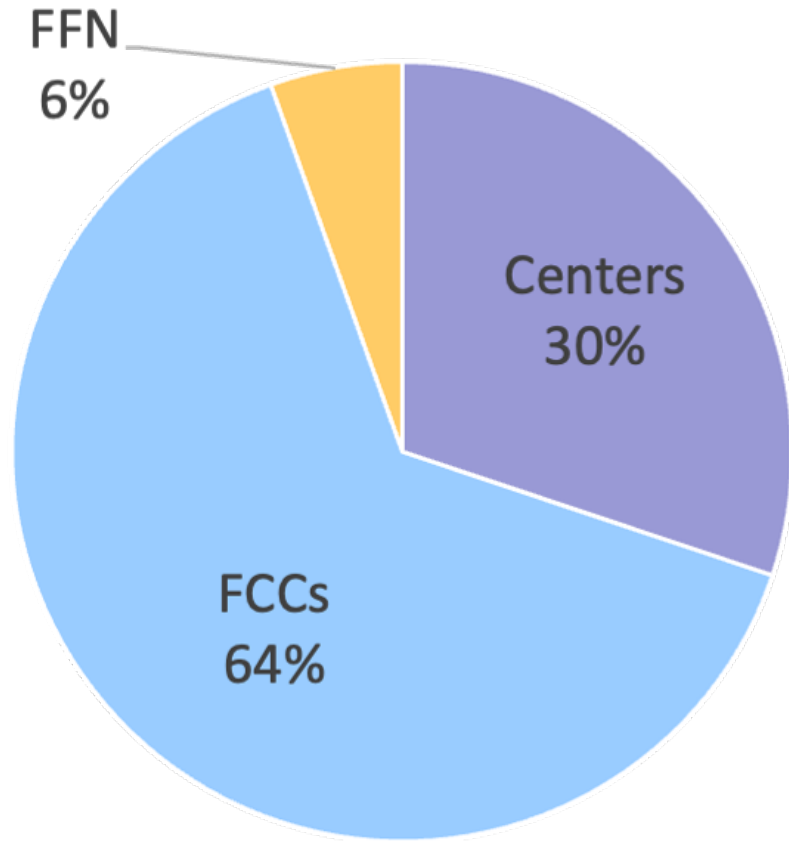
Provider expenses, revenue & program characteristics

Providers' challenges with covering expenses and sustaining programs

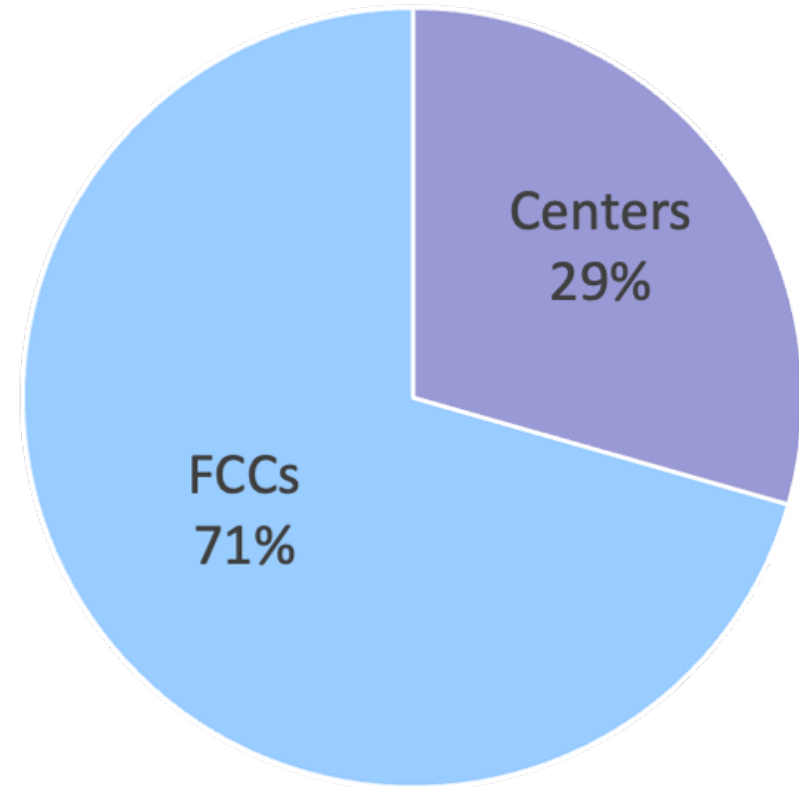
Non-probability sample

California: Survey Response Rate

Survey Respondents by Provider Type
N=3,855



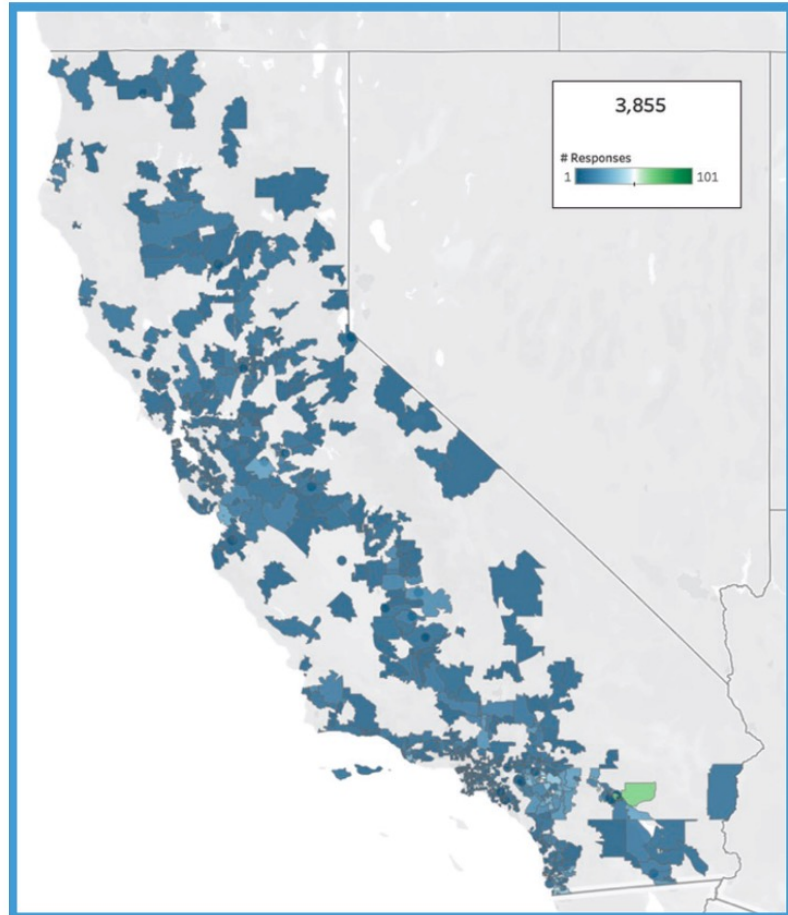
CA Licensed Facilities by Provider Type
N=36,827



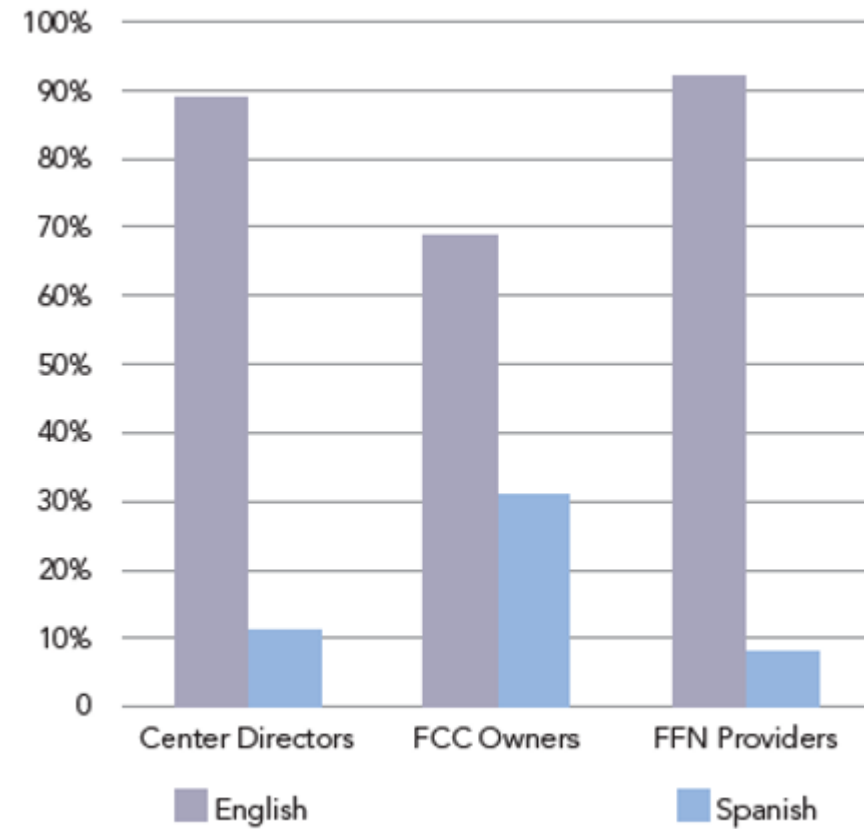
California Child Care Resource and Referral Network, [California Child Care Portfolio](#) (2021).

California: Geographic Distribution & Language Preference

Survey responses by zip code



Survey language (English and Spanish) by provider type



Source: Geomapping provided by Agile Visual Analytic Lab at the UCLA Luskin School of Public Affairs, using response data from the California cost of quality survey.

California: Focus Groups

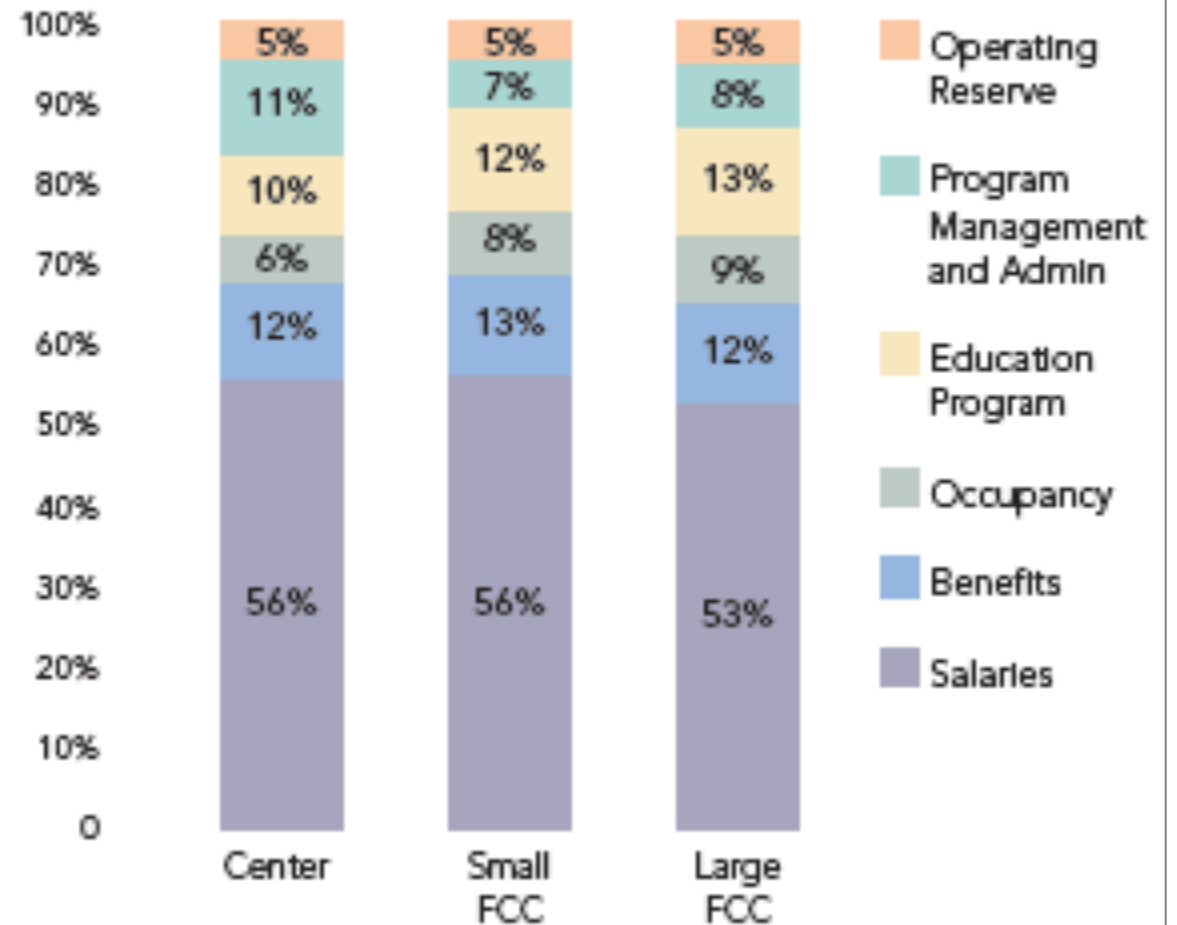


- Over 20 online focus groups
- Facilitated in both English and Spanish
- 233 providers participated
- 85% FCC, 12% Center, 2% FFN
- 33 of the 58 counties represented

Personnel is biggest cost driver

- Accounting for 65-69% of total expenses
- For nonpersonnel expenses, occupancy can vary a lot, but is around 6-9%

Figure 10: Breakdown of Total Expenses, by Expense type

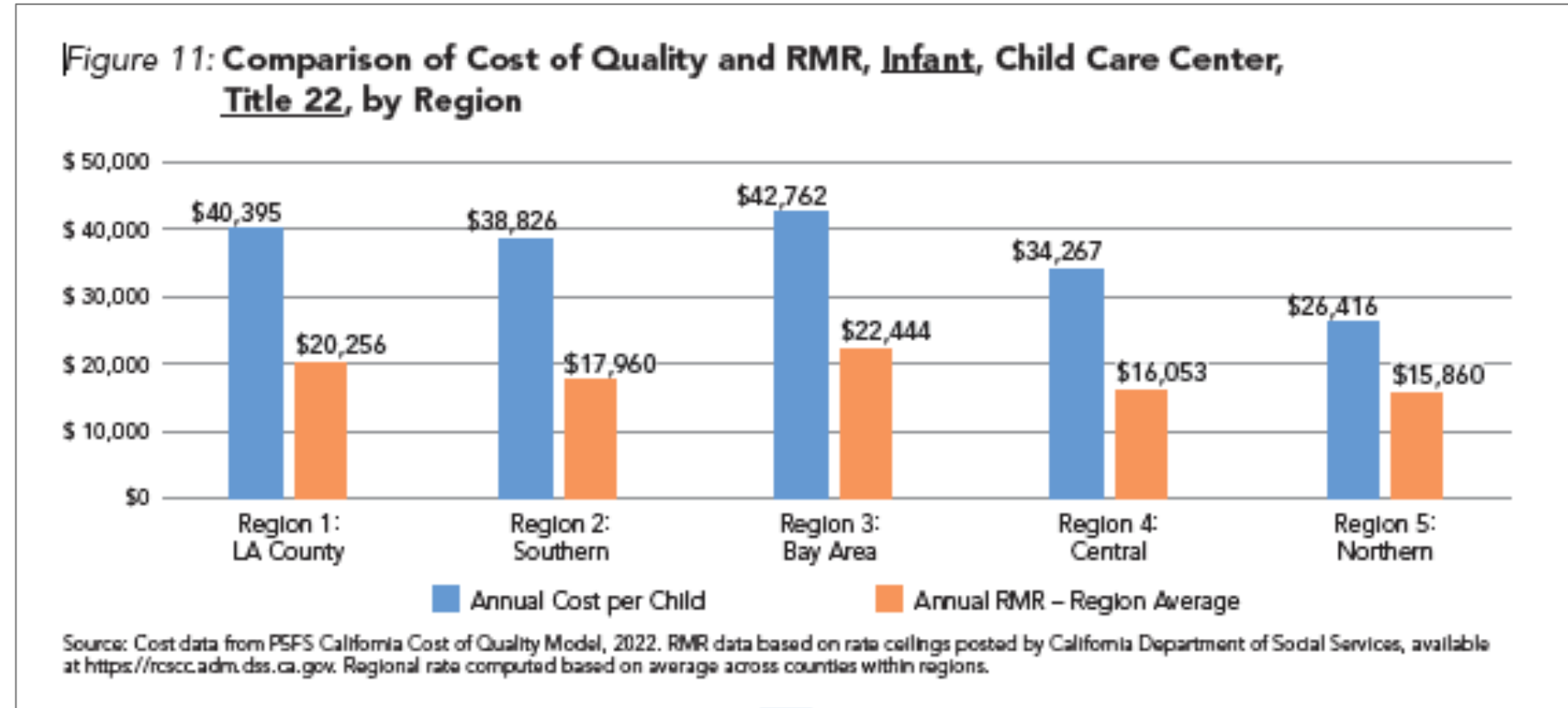


California: Results

The true cost of infant care in a child care center is far above the current public funding available to child care providers

Gaps are larger in higher-cost areas of the state

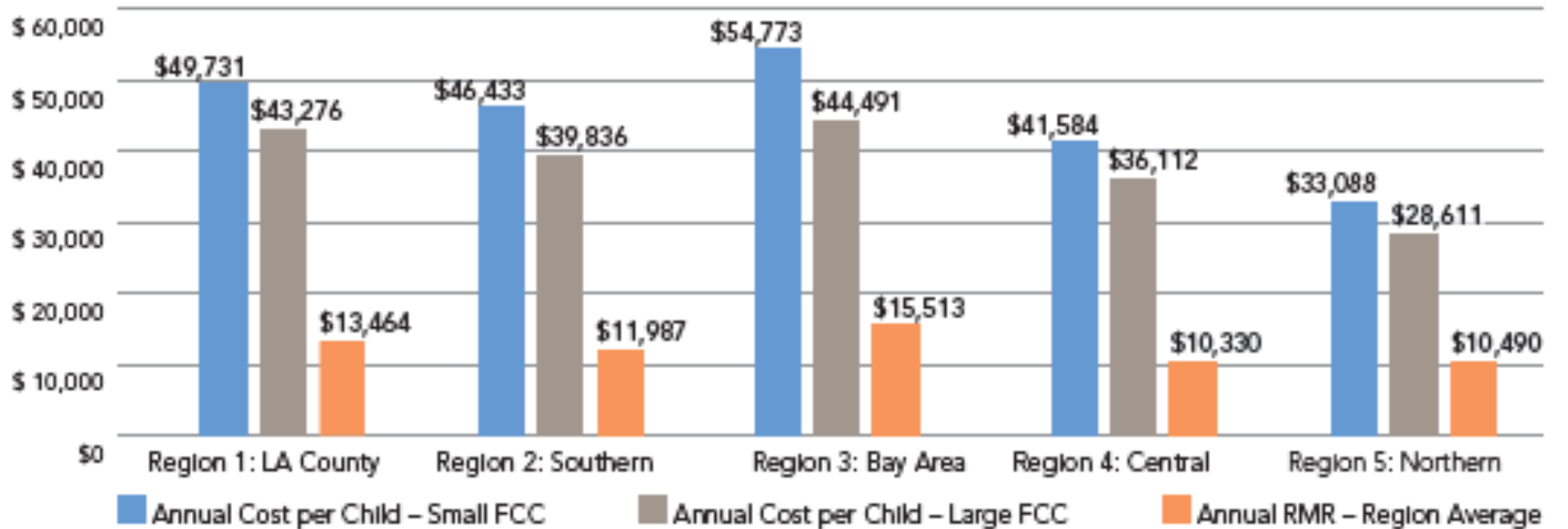
Gaps for preschool aged care are smaller, but persist across the state



California: Results

Gaps for family child care home-based providers are greatest

Figure 19: Comparison of Cost of Quality and RMR, Family Child Care Home, Infant/Toddler, by Region



Source: Cost data from PSFS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rscoc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

03

**Using cost to reform
the prenatal-to-five
system**

Why a Systems Approach?

- Multiple funding streams
- Diverse communities and needs
- Multiple programs and sectors of services
- No single program or funding stream will meet all need



System costs include activities that happen *outside of direct service providers* to support the full prenatal to five system.

Some activities can be either a direct service cost or a system cost, depending on how they are organized and paid for. Examples: Coaching for providers, enrollment systems



Example: New Mexico System Building Response

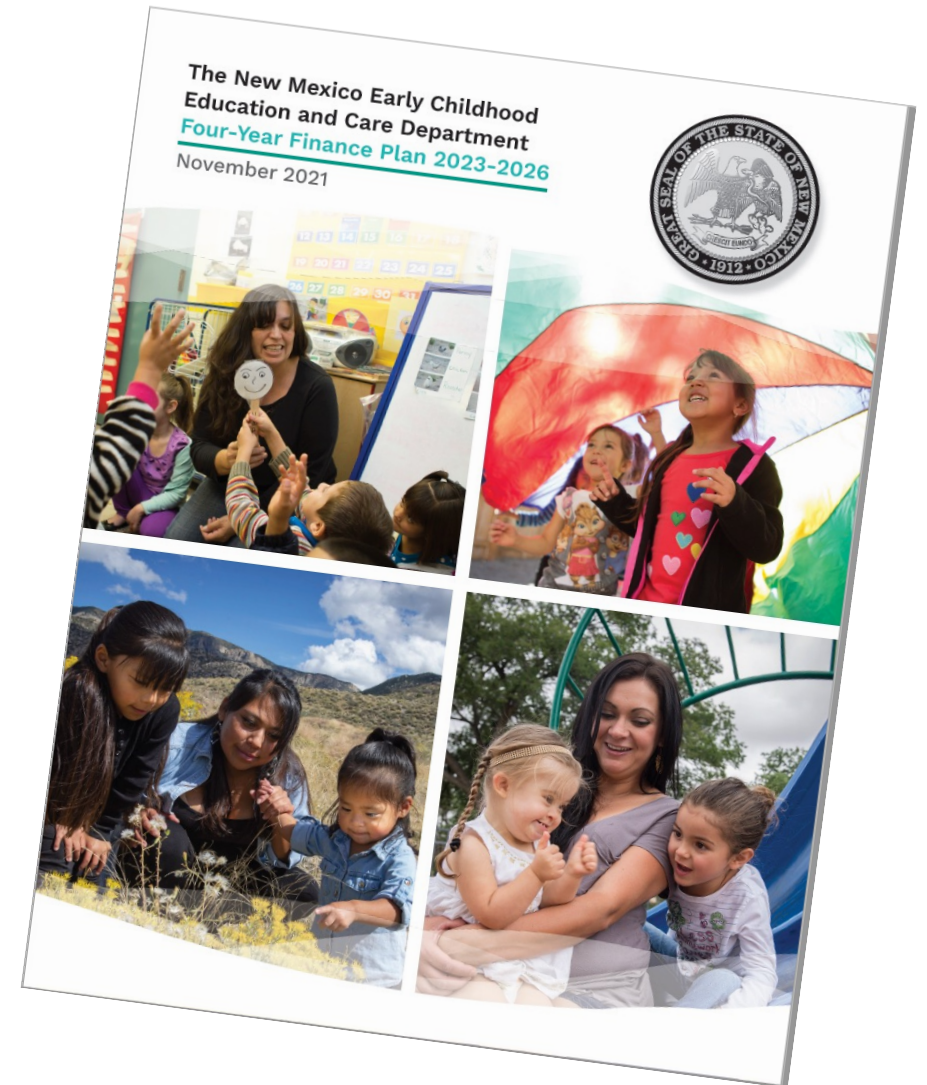
Legislatively mandated Finance report served as an opportunity to do what is needed for good system change

- Use Comprehensive System wide approach

Published initially 2021

Updated annually for budgeting process

Creating a Five Year Finance Plan, for publication October 2024



Engagement and Data Collection

- Services reaching 74,000 children and families in the next year
- By nearly 16,000 professionals

Cost Modeling:

- Child Care Revenue and Expense Model
- Home Visiting Cost Model
- Early Intervention/Special Education Cost Model
- PreK Cost Model
- System Revenue and Expense Model

System Action Plan with projections for service numbers, infrastructure increase and revenue needed to cover expense

Planning for funding to work on the system approach

Child Care Model

- Changed rates to address inequity in funding family child care
- Increased infant and toddler rates to cover cost of care
- Increased compensation levels used

Home Visiting Model

- Increased rates paid for home visiting services by 50%
- Used model to address inequities in Medicaid rate setting across HV types

System Model

- Supported increase in child care eligibility ceiling and elimination of parent co-pays
- Budget and planning for use of Trust driven by quality, access and associated infrastructure needs for the system
- PreK expansion informed by modeling on increased compensation and quality levels

Thank-you

Access papers referenced in
this symposium:

<https://www.prenatal5fiscal.org/eecera>