Opportunities Exchange

How Modern Technology Can Help States Implement New Policy Reform
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September, 2023

The federal Department of Health and Human Services recently released a [Notice of Proposed Rulemaking](#) (NPRM) for the Child Care and Development Fund (CCDF) aimed at improving child care access, affordability and stability. The NPRM includes a host of changes aimed at achieving this goal, including lowering co-pays, boosting payment rates, payment via grants and contracts, and more. These are important changes, however implementing them will require some significant shifts in state-level policy and practice.

In most cases, implementing the NPRM will require that states not only revise policy but also take a careful look at the automated systems they use to administer CCDF dollars. Indeed, the NPRM includes many opportunities to reduce the administrative burden associated with participation in the child care subsidy system. This brief identifies those opportunities as well as innovative, new approaches to subsidy administration enabled by modern technology.

> This brief identifies ways states can harness the power of modern technology to reduce administrative burden as well as implement innovative, new approaches to child care subsidy administration.

Harnessing the power of modern technology can help states address myriad problems—including boosting the supply of early care and education (ECE) providers willing to serve children with a CCDF subsidy. Experience in states and communities across the US has underscored that even when rates are high and contracts available, many child care providers choose not to serve children with subsidy because the administrative burden is too much—especially if the program can easily fill with private fee-paying families.

Opportunities Exchange (OppEx) envisions an [Early Care and Education Technology Ecosystem](#) that offers user-friendly information and administrative support for families, service providers and policymakers, while enabling the real-time data needed to make smart decisions. We believe this vision for an ECE Technology Ecosystem offers myriad opportunities to implement changes outlined in the NPRM. Specific policy links will be identified in each of the four main areas included in the NPRM and are summarized below.

Strengthening Payment Practices
An effective ECE Technology Ecosystem can enable and support the following policies discussed in the NPRM:
- Attendance—ensure accountability for daily attendance, including any verification needed when providers are paid based on a child's enrollment.
- Payment—capacity to verify and reconcile payment of fees from any source, including reporting required to verify compliance with prospective payment.
- Collections—verification of tuition and fees charged to, and collected from, families, including required co-payments.
- Cost of Care—data needed to determine the unit cost of delivering child care, by age of child, length of day, location and more.

The NPRM proposes that payment be based on enrollment, and issued prospectively, to ensure consistency with the private market. While these changes are significant, effective alignment also requires ensuring that *the family experience* is the same. When a parent or guardian that receives a child care subsidy is required to check their child(ren) in and out of care using an automated or paper system that is completely different from the record-keeping system providers use for fee-paying families, low-income families may feel stigmatized and hesitate to participate in subsidy or complete the check-in process. Moreover, managing multiple systems for child check-in and recordkeeping significantly increases the administrative burden on providers and creates yet another disincentive to serve children with CCDF subsidy.

Harnessing the power of modern technology makes it possible for all families—whether or not they receive a government subsidy—to check in and out using the same Child Care Management Software (CCMS).

Iowa is an excellent example of how modern technology can transform the child care subsidy user experience. In 2023 Iowa launched a new approach to child care subsidy management that links billing and reporting for publicly funded child care to the CCMS providers use every day to manage their businesses. The pilot began by crafting data bridges—the technical term is an Application Programming Interface, or API—with two vendors (brightwheel and Playground) however longer-term plans include enabling an 'open API' so that a wide range of CCMS vendors can participate.

Quite a few states have crafted 'provider portals' that enable access to child care subsidy authorization and payment data. Indeed, this is a step in the right direction—but it is not enough to change provider or parent behavior. Interviews in states that have scaled this approach underscore that many providers find these portals challenging to navigate and often report that the portal is only one of many they must learn to navigate (subsidy, registry, licensing, QRIS, PreK, Head Start/Early Head Start, and more). Moreover, most portals require providers to manually enter/verify/revise data in the systems, essentially reentering data that is already held in their CCMS. This is not only time-consuming but also increases the likelihood of errors.

Accurate and timely accountability data is essential—especially given the payment policy revisions included the NPRM. For example, the revisions include a section on fraud prevention that specifically requires Lead Agencies to "implement a minimum verification process that incorporates criteria that reduces the likelihood of error and fraud." The Iowa approach, which maximizes the benefits of CCMS, includes these provisions. When every child is checked in/out of care via a QR code, the state has the accountability data they need without requiring additional reporting. Providers are also able to electronically verify exactly who checked the child in/out, at what time of day, and where they were when they checked in. All these data are available—in real time as well as in an aggregate report—directly from the CCMS.

The NPRM further requires states to "analyze price and cost data together to determine adequate child care provider rates to meet health, safety, and staffing requirements." To date states have relied on surveys to collect these data. Not only are surveys expensive to conduct, but they rely on self-report. Many providers simply do not know how to accurately track the unit cost of their services. Thus, survey data is often inaccurate, inconsistent, and insufficient. Modern technology, linked to financial management coaching, can help address this challenge. A growing number of states are investing in child care financial management coaching linked to use of CCMS. This approach not only helps stabilize the sector but opens the door for new data bridges and more accurate data collection on the unit cost of delivering child care.

Streamlining Eligibility
An effective ECE Technology Ecosystem can enable and support the following policies which were included in the NPRM:
- Easy access to documentation required for presumptive eligibility, such as verifying enrollment in other public benefits programs.
- User-friendly on-line applications that can be accessed from myriad websites or search engines.

Modern technology can support electronic submission and review of applications for child care subsidy as well as enable verification of presumptive eligibility via links to other systems/data bases. While presumptive eligibility, and aligned eligibility documentation, is relatively new in early care and education, it is standard practice in determining eligibility for Affordable Care Act health insurance as well as for myriad private sector financial transactions such as loan and credit applications. In short, technologists have deep experience building these links.

The NPRM encourages states to implement on-line applications for child care assistance and goes on to underscore that "merely converting the paper application process to one that is performed online will not yield

benefits for families." Indeed, a growing number of states are beginning to craft strategies that harness the power of technology to truly transform the process of applying for child care assistance and enrolling in care. These new approaches seek to:

- Centralized the subsidy application process across myriad funding streams (child care, PreK, Head Start, home visiting and more).
- Include links to other services and benefits for which the family or child may be eligible.
- Enable the family to search for an available space in a child care center or home that meets their needs.
- Electronically enroll their child(ren) in a center- or home-based site.

While still in the planning stages, Iowa is crafting a statewide Operational Data Store (ODS) that will include links to myriad public and private entities and ultimately make implementation of these goals not only possible but administratively efficient. Texas recently launched Phase I of a new system, called the Texas Child Care Connection, or TX3C for short, that includes many of these features. Virginia and Colorado are engaged in promising work on coordinated ECE enrollment.

Lowering Families' Costs for Child Care
An effective ECE Technology Ecosystem can enable and support the following policies which were included in the NPRM:

- Ensure that families are aware of co-payment policies and that co-payments do not exceed 7% of family income.
- Simplify documentation by enabling electronic records and eliminating duplicative paperwork.

Families that receive child care subsidy rarely receive clear and transparent information from government sources about co-payments, including how much to pay, for which child and to which provider. Often this is not an intentional omission but a result of complex co-payment calculations that are done manually based on a written (and not easy to decipher) co-payment matrix that could be many pages long. Not surprisingly, families often learn the exact amount of co-payment they owe when they sign an enrollment agreement with their chosen provider. Moreover, it is not uncommon for providers to add a 'second co-payment' or other special fees on top of the state-mandated co-pay–and families are not likely to understand what is required by the state and what is added by the provider. The situation becomes even more complex when multiple children, and multiple providers, are involved.

Child care providers are often in the dark as well. It is important to underscore that the payment a provider receives from the CCDF Lead Agency is the public reimbursement rate, minus the parent co-pay. In many cases, even a child care provider may not know the exact co-payment until after a child is enrolled and they receive payment authorization from the CCDF Lead Agency.

In short, collecting, managing, and verifying co-payments can be complex, and without automation errors and omissions are likely. State-of-the-art technology can include built-in algorithms that calculate expected co-payments, in real time, based on the unique characteristics of the family and child and the type(s) of care chosen. These data can be made available electronically to both families and providers––in real-time––on statewide search engines that include links to individual provider enrollment sites.

Improving Parent Choice to Access Care That Meets Their Needs
An effective ECE Technology Ecosystem can enable and support the following policies discussed in the NPRM:

- Better supply data—to ensure that parents (as well as providers, industry intermediaries and policy makers) have accurate, timely data on available spaces in all early care and education establishments, by age of child, type of care, program location and length.
- More efficient and effective administration of grants and contracts, especially those aimed at purchasing child care slots for low-income families.

A key step in improving parent choice is making sure that families have complete, up-to-date information on the child care options that are available to them. This means creating a single, coordinated on-line child care 'marketplace' that includes ALL sites (regardless of auspice or funding stream) that have openings (vacancies) for their child and agree to accept public subsidy.

In nearly every state in the nation parents must navigate myriad electronic marketplaces—each representing a different set of service providers with different information. Some sites are public. Some sites are private. In most cases the sites report public information on licensed capacity, but rarely do they include information on available slots or scholarships. This means that families must search each electronic marketplace, identify options, and then telephone each potential provider in hopes that someone will answer the phone and can respond to their questions about the program, available space for their child, willingness to accept subsidy (at what price) and so forth. Once they complete the search process and make a choice, parents are often required to complete and submit numerous paper documents to reserve a space and enroll their child. In short—the early care and education sector has not harnessed the power of technology to effectively support parent choice, waitlist management or enrollment. The result is a very time-consuming, burdensome, and frustrating process for families.

The NPRM speaks to the need for improved consumer education websites that enable access to the information parents need to make informed choices. Further, the NPRM proposes to amend paragraph (a)(5) to include the total number of children in care as a required component of the CCDF consumer education website. Modern technology has the capacity to solve this problem—and create a family-friendly system that also streamlines administrative tasks for providers—if states step into a leadership role and spearheads change. Iowa is a case in point. The Iowa ODS, with links to CCMS, is designed to collect accurate, timely data on actual enrollment in child care settings, by location and age of child and to populate data dashboards in real time.

Building Supply
An effective ECE Technology Ecosystem can enable and support the following policies which are discussed in the NPRM:
- More precise data—so that states can track availability, by age of child, location, program type, auspice, funding stream, and more.
- Timely data—so that states can track available slots in real-time (or near-real-time) to identify and address gaps quickly as well as determine the impact of supply-building interventions and investments.

Nearly every day one reads a news article or research report underscoring the shortage of child care and demanding that policymakers address "child care deserts". These reports, however, rely on data that is outdated, general and often misleading, leading to the question: *Do we have child care deserts or a data problem?* The answer is likely both.

Child care deserts are most likely in cases of infant and toddler care. Indeed, the NPRM underscores that "finding child care for infants and toddlers, children with disabilities, and nontraditional hour care is particularly difficult for parents" and goes on to state that "Lead Agencies need clear data and strategies to address gaps in supply of child care. However current reporting requirements make it difficult to understand supply estimates."

The challenge goes beyond reporting requirements and includes legacy technology systems that work in silos and simply do not have the capacity to link data in a timely or cost-effective way. Myriad private-sector search engines exacerbate the problem.

However, change is on the horizon. States that embrace a new vision for the ECE Technology Ecosystem are working with technologists to craft stronger and more effective data systems. Modern technology will not only help states obtain data needed to effectively target scarce resources, but can also support implementation of contracts, grants and other ECE investments. Links to provider Child Care Management Software make it

possible for states to request information (on staffing, services, unit costs and more) to ensure accountability, without placing additional administrative burden on providers.

Summary

Harnessing the power of modern technology, including data bridges to the off-the-shelf Software as a Service CCMS products child care providers use to manage their businesses, is key to successfully implementing public child care subsidy systems. States across the nation are testing new ways to boost use of technology, and leverage change, among ECE service providers, intermediaries, and government agencies. The recent Notice of Proposed Rulemaking for the CCDF not only gives this work more urgency but offers some unique opportunities for change.