Supporting Child Care Food Program Participation Through a Shared Services Alliance

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Introduction

The Child Care Food Program is a federally (USDA) funded child nutrition entitlement program that provides financial reimbursement to child care centers that provide nutritious snacks and meals to the children in their care. It supports child care quality, improves child nutrition and increases provider revenue. It is also a much-regulated program that comes with relatively complex administrative requirements.

Child care centers qualify to participate in the Child Care Food Program (CCFP) if they have non-profit status or if at least 25 % of the children enrolled in the center receive a child care subsidy from the state or qualify for Free or Reduced Price Lunches (the school lunch program). The latter requirement is evaluated using income eligibility statements filled out by the parents of the children in care. CCFP participation is a great benefit to child care centers that qualify and to the children they serve. The average reimbursement for a child care center with 100 children enrolled is more than $1,000 per month.

The lingering downturn in the economy has hurt the child care industry severely with many programs closing and many more just hanging on. At the same time, programs report more hungry children and increased food expenditures. As a result, the Child Care Food Program is of greater benefit to child care centers now than ever before. In addition, there may be more centers qualifying to participate than ever before.

Child care centers can participate in the program in two ways. First they can sign an agreement directly with the state agency that oversees the program. The state agency monitors the center for compliance with regulations. In this instance, the child care program assumes full responsibility for record keeping and complying with state regulations. This is both time consuming and comes with some financial risk. Centers that don't have a good grasp of the regulations or the administrative capability to effectively operate the program can potentially owe money to the state agency if errors are discovered in their claims. In addition, they could be barred from participating in the program for seven years or longer if all debts aren't repaid.

An alternative to enrolling directly with the state, is participating in the food program by signing up with a CCFP administrative sponsoring organization. Sponsors visit a center three times per year and oftentimes more, both to help train center staff and to make sure centers are following federal guidelines, policies, and procedures. In exchange, they keep up to 15% of the center's total reimbursement (different sponsors will charge different administrative fee percentages). Sponsoring organizations also assume all of the financial liability so centers don't have to worry about paying back funds or other liability issues introduced by paperwork mistakes. Because of the risk and the administrative burden of the program, many child care centers choose this option.

QCC explored two options that an Alliance can use for providing technical assistance to child care programs on the CCFP program.

Option 1: Offering Ongoing Technical Support and Training for Participants in the CCFP

In this model the Alliance would support members' participation in the CCFP. The Alliance would provide training and some level of administrative and technical support to child care centers interested in participating in the CCFP, while not becoming an administrative sponsor. One benefit of this model to the child care program is that the Alliance could provide support for significantly less than the 15% a sponsor would typically charge to cover their costs. The support might be included in the basic Alliance services or be purchased by the child care program as an add-on. An advantage to the Alliance is the ability to help centers and children benefit from the program while avoiding the financial liability that they would incur by being a sponsoring organization. This was QCC's preferred option as we began exploring CCFP support.

The first hurdle for a center to overcome in order to successfully participate in the CCFP is the ability to keep accurate records in an efficient manner. This can be made easier by utilizing a software package designed to support CCFP record keeping. There are two options in choosing a software package. A center can select a software package designed specifically for the child care food program, or a more comprehensive child care management software that offers a module or modules designed to support CCFP record keeping. The Alliance could negotiate discounts on this software for Alliance members. (In fact, some discounts have already been negotiated.) We explored four different options; however this is not intended to be an exhaustive list.

1. Minute Menu Kids for Family Providers: For smaller child care centers (50 children or less)

   Minute Menu for Kids for Family Child Care Providers is designed specifically for child care food program reporting. However, it also offers some more general record keeping features. We piloted Minute Menu Kids software with a small child care center in Atlanta. The capacity of the program is 44 children. At the time of utilizing the software, the program had 34 children enrolled. This center did not have child care management software in place.

Initially the Alliance Manager went to the program and entered all of the data for the families and children enrolled in the program. The goal was to eliminate the upfront time investment needed for data entry that could be a barrier to the program's participation. With the data entry completed for the program, it still took three months for the program to actually utilize the software to submit the CCFP claim. The Alliance Manager followed up repeatedly to encourage the director to use the software.

Once the director used the software program, she realized how helpful it was in submitting her claim. The director shared that she now invests more work on the front end, but ultimately the software has made it easier to submit the claim. Prior to the software she was not as thorough with her record keeping and spent significantly more time at the end of the month making sure her paperwork was intact so that she could file her claim.

In this instance, the software was purchased for $62.10 (10% off the retail price). It was used for record keeping but not to actually submit the claim. The provider printed the records from the software and entered the data into the state's online claiming system.

Minute Menu Kids is not conducive to use in larger child care programs. The software requires that you check all children in so that the meal count is accurate. With a small program the attendance can be easily added daily. With a larger child care program, adding the attendance daily would be more tedious and would take more time than necessary. With a more comprehensive child care management software, like Procare or Childcare Manager, the families can check the children in upon entering the center. This allows center staff to save time on data entry.

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2. Minute Menu CX : For larger child care centers

This child care software assists child care programs with completing and submitting their CCFP claims online. Minute Menu CX only assists with CCFP paperwork. It does not have the same administrative tools as Minute Menu Kids for Family Providers or other more comprehensive child care management software packages. Minute Menu CX is $49 a month with no licensing fee or initial set-up fee.

Minute Menu CX interfaces with Procare Software, a popular child care management software that provides more comprehensive management tools. If a program does not have Procare, Minute Menu CX is an affordable option that will meet a child care program's CCFP needs. However, if a program currently uses Procare, depending upon the specific modules they already have in place, there may be a better alternative than using Minute Menu CX for their child care food program reporting. That alternative is discussed below.

3. Procare

Procare is a comprehensive child care management software that offers several different modules, all individually priced, for different administrative functions. In order to use Procare for CCFP reporting and claim submission, a center would need four different modules including Family Data, Meal Tracker, Attendance Tracker, and Accounts Payable General Ledger. The prices for the modules depend upon the size of the center. The mini versions have a 60 family limit, while the full versions are for more than 60 families. The price for the mini versions of these four modules is $1,096. The price for the full versions is

$2,180. If a center already had all of the modules but the Meal Tracker, they could add the Meal Tracker for $149 for a center of 60 families or less, or $295 for a center serving more than 60 families. Ultimately adding this module would be more cost-effective than paying a $49 monthly fee for Minute Menu CX.

4. Childcare Manager

Childcare Manager fully supports CCFP management and assists programs in streamlining administrative processes. This software allows programs to track children's attendance, family information, billing, and staff hours and export this information into the CCFP module. The CCFP module assists programs with the required monthly paperwork for submission of their CCFP claims. This software is comprehensive and would meet all needs of a large or small child care center program.

The software comes in two editions, standard and professional. Several additional modules are available to perform different administrative functions. The cost for a small center (60 families or less) that chose the basic standard edition of the software and the nutrition module is $1,290. A larger center (more than 60 families) using the standard edition and the nutrition module would spend $1,990. If the Alliance uses the web platform developed by ECE Shared Resources, Alliance members can take advantage of a negotiated 20% discount on the cost of the software.

The following chart summarizes the information on the software we investigated. Please note that this is not an exhaustive list.

Software	Price	Comments
Minute Menu for Kids	$69 per month	Offers comprehensive administrative features. Not conducive for larger programs (more than 50 children).
Minute Menu CX (For Independent Centers)	$49 per month	Good for programs serving more than 50 children. Does not offer other administrative tools and features. Interfaces with Procare.
Procare	$1096 for centers serving 60 families or less. $2180 for centers serving more than 60 families.	A comprehensive management software sold in separate modules. Price includes 4 modules needed for CCFP reporting (Family Data, Meal Tracker, Attendance Tracker, A/P General Ledger). A program already using Procare could purchase just the Meal Tracker for $149 or $295, depending upon program size.
Childcare Manager	$1290 for the standard edition for centers serving 60 families or less $1990 for the standard edition for centers serving more than 60 families	A comprehensive center management software. Also comes in a Professional edition offering more features and tools. ECE Shared Resources has negotiated a 20% discount for any Alliance that uses their shared services platform.

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In addition to providing a discount on software, QCC considered providing the following training and technical assistance services:

- Assistance with start-up. The Alliance could help programs complete the application for participation, which includes a management plan and budget as well as evidence of financial viability. This would include:
  - preparation and completion of application materials;
  - conducting the public release of the nondiscrimination and free and reduced-price policy statement;
  - determining income eligibility and setting up the processes and procedures for maintaining income eligibility statements;
  - developing the plan for official recordkeeping responsibilities, including meal count and enrollment information, roster maintenance, and an organized payee list and/or acquiring and implementing the CCFP software.

  The management plan outlines the processes and procedures the program will use to ensure compliance with state regulations. Approval of the application by the state means that the program has successfully met these requirements.

- Ongoing Training and Technical Support. The Alliance could:
  - Assist the program in preparing for state site visits. The Alliance could conduct a mock state site visit to help ensure that the program is in compliance with the state guidelines;
  - Provide technical assistance to help programs with monthly paperwork. The Alliance could review the paperwork before submission to help check for errors. This will help the child care program receive the highest reimbursement possible. The software packages provide a great degree of edit checking. This would be over and above what the software

provides and would primarily focus on whether the program is correctly entering the required data;
- Provide nutrition training and menu planning for programs. Programs are NOT required but are encouraged to maintain current nutrition training;
- Provide cost saving on food and supplies through Alliance vendor discounts.

There are some immediate challenges with regard to option 1.

First, federal regulations make receiving this kind of administrative and technical support, from someone other than an approved Child Care Food Program sponsor, problematic. While the federal regulations allow an approved CCFP sponsor to take responsibility for administering the CCFP on behalf of a child care center, the regulations do not allow centers to contract out what they consider "important management responsibilities" with an entity that has NOT assumed full sponsorship responsibilities. It is not entirely clear what "important management responsibilities" include. In addition, states may interpret this differently. Some of the bullets noted above in the kinds of support an Alliance might provide may be considered by some states as "important management responsibilities" that centers are not allowed to contract out to other entities. The regulations do state that institutions may contract out for specific administrative tasks, such as bookkeeping, data processing, or the services of a nutritionist and claim these services on their administrative budget.

Because of this lack of clarity about what constitutes "important management responsibilities", we recommend that any Alliance interested in providing CCFP training and technical support, either as an add-on service of the Alliance, e.g., charge extra for the service, or as an Alliance benefit, be very specific about the service being provided and be certain that contracting out the service is allowable. This is of critical importance.

The Alliance needs to work closely with the state agency in charge of the CCFP to determine that the regulations do not classify the service they plan to provide as a contractor to be a "management responsibility". Violating the regulations could put the child care center at financial risk.

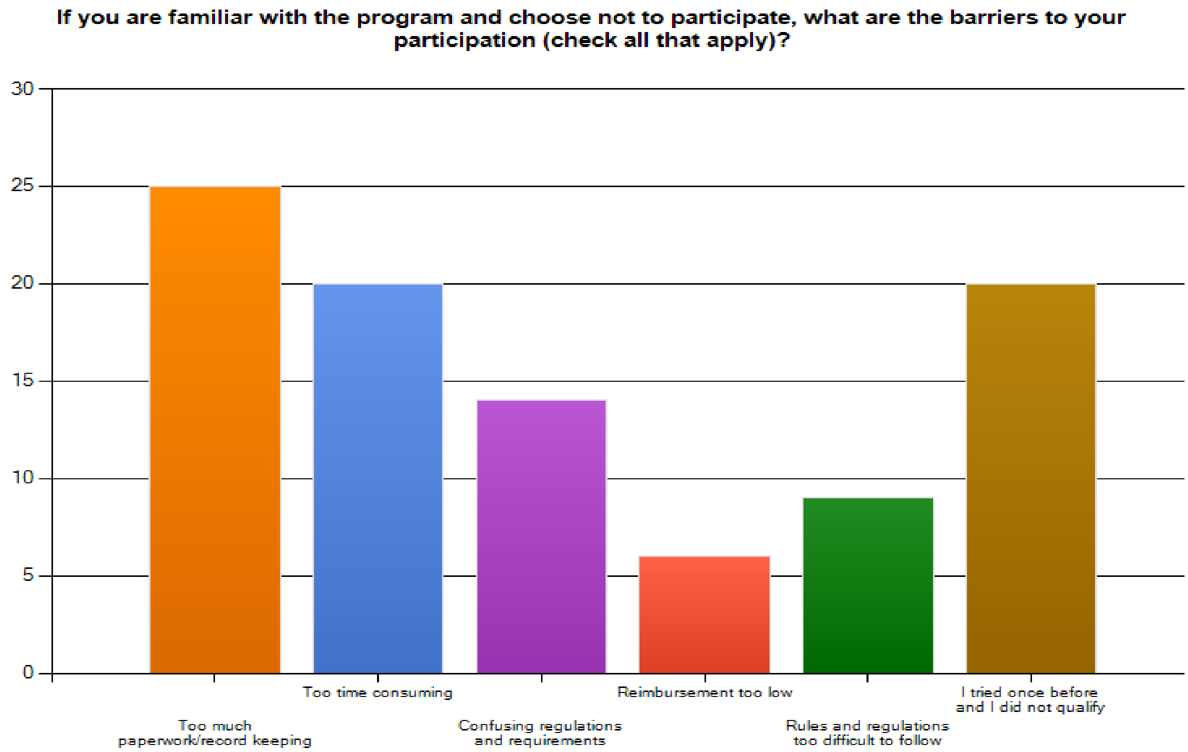
Secondly, the CCFP is subject to many federal regulations. States may also impose additional regulations as long as those do not violate the federal guidelines. The consequences of being in violation of the regulations can result in a payback of the reimbursement and/or making the child care program "seriously deficient" and banning their participation in the program for seven years or longer in cases of unpaid debt. An Alliance would need significant expertise in CCFP administration and to stay current with changing regulations at the federal and state level in order to feel confident about serving in a technical assistance role. This requires working closely with CCFP administrators in the State and significant immersion in the regulations. A mistake by the TA provider could result in very serious consequences for the child care program.

Because of the complexity of the program and the financial risk to a program if they do not follow the regulations, the GA Alliance for Quality Child Care does not feel comfortable solely playing the role of CCFP technical assistance provider. However, if we served as a child care center sponsor (Option 2, described below) we might consider offering Alliance members the option of full sponsorship or receiving more limited training and technical assistance. Even then, we would proceed with caution. While we might provide the correct information and advice, we would not be in a position to monitor and hold that program accountable. For example, we could not prevent them from submitting an inaccurate claim. We would fear that, while we would not be legally responsible for the consequences of a center submitting a false claim, the center might feel we are responsible. There are too many opportunities for misunderstanding.

Option 2: Full Sponsorship: Becoming an administrative sponsor of the CCFP

A second way to support programs' participation in the CCFP is to become a CCFP sponsor. This requires submitting an application and receiving approval from the state office that administers the program. In the application to the state, the Alliance must establish that there is a need for an additional sponsor. In Georgia this is established to the state's satisfaction by identifying programs that are willing to enroll with you as their sponsor. QCC conducted an initial survey of child care centers not enrolled in a CCFP to determine this. (Your Child Care Resource and Referral agency may be able to provide you with that data.)

Using Survey Monkey, we emailed a survey to centers not currently enrolled in the CCFP. In addition to demographic data (county, capacity, and accreditation status) we asked about meals and snacks served and knowledge of Child Care Food Program. Respondents were also asked the question "If you are familiar with the program and choose not to participate, what are your reasons?" Respondents could choose more than one answer. The responses were (see chart on following page):



Respondents were also asked if they would be interested in participating in the Child Care Food Program under Quality Care for Children's sponsorship. QCC identified 52 programs that were interested.

As part of QCC's environmental scan we also interviewed three CCFP center sponsors in GA and two sponsors located in other states. A common theme from the interviews was to start very small, with one to five centers, and plan for expansion based on the resources needed to effectively support those centers. Initial program implementation was done by one staff person, who allocated a small amount of time to center sponsorship, as well as support from accounting staff. During this initial period a time study should be conducted to collect data on the labor involved in administering this program, to include monitoring, providing technical assistance and support, training, reviewing and processing a claim, as well as completing any accounting tasks required. This information can be analyzed and used in planning for expansion.

Factors to Consider with Full Sponsorship

Start-up Funding

Child care food program sponsorship funds cannot be used to fund start-up. All agencies interviewed used unrestricted funding to cover the initial costs incurred. A sponsorship's earnings are based on the number of centers/children supported. The initial funds invested in start-up, prior to break-even, are never recovered. Under federal regulations, start-up costs are not an allowable CCFP expense and therefore cannot be charged to the program.

Free/Reduced Paid

In centers, the reimbursement rate for each meal served is calculated based on the income eligibility of all enrolled children. In addition to an enrollment form, each child must have an income eligibility application completed by his/her parent and then each child is appropriately classified. Sponsors are responsible for ensuring that both the enrollment documentation and income eligibility documentation are on file and current for all children enrolled in the sponsored center. This is implemented at the sponsor level by not processing a claim for reimbursement unless this documentation is on file with the sponsor.

Administrative Reimbursement

In Georgia, centers get paid a blended reimbursement for each meal they serve based on the mix of Free/Reduced and Paid children enrolled; the higher the percentage of free and reduced children, the higher the reimbursement. Other states may base their reimbursement on the actual numbers of children in each category, i.e., those receiving free meals, reduced prices, or paying full costs. For a sponsor, the administrative reimbursement is based solely on the center's reimbursement. Up to 15% of the center's reimbursement can be kept in return for administering the program.

Non-Profit Food Service, Receipt and Expense Tracking

Centers must show that the expenses for their meal service operation, including food, labor and any pro-ration of utilities or other overhead, total more than the amount the center receives in meal service reimbursement. Sponsors must monitor these expenses and work with centers to resolve any excess reimbursement (typically by encouraging them to purchase higher quality foods). Sponsors are also responsible for checking menus to make sure all of the required meal components are met as well as spot checking receipts for the presence of menu items. Sponsors must also calculate milk consumption using the center's receipts, to verify that enough milk was purchased to satisfy the required servings for children at breakfast and lunch for the entire month. All of this is done as a part the monthly claim process for each participating center.

Liability Issues

A sponsoring agency assumes sole liability and responsibility for the accuracy of the records and claim submissions made to state. Repayments based on claim errors are paid by the sponsor. The sponsor is not allowed to collect repayment from a center. It is critical that the sponsor ensure that all claims are validated before submission to the state and that supporting documentation is available for review in the sponsor's office.

CCFP Software

QCC recommends utilizing the sponsor version of Minute Menu CX software in processing center claims. For many years, Minute Menu has worked very closely with home sponsors in developing and modifying their software to make all of the many processes involved in administering the CCFP a bit smoother. They now offer similar software for center sponsorship.

Many of the processes involved in operating the CCFP have been automated in Minute Menu CX. The tools provided in the software help a child care center stay in compliance with federal and state CCFP regulations. The software generates the claim based on the data provided by the center and submits the claim online to the sponsor for approval. Minute Menu provides support and training for both sponsors and centers to effectively manage the program. The cost of this sponsorship version of the software is $399 for the licensing agreement, $200 annually for maintenance, and $39 a month per active claiming center.

Sponsorship Funding and Financial Plan

In Georgia, centers are paid a blended rate based on the number of free/reduced/paid children enrolled in their center. QCC's budget projections are based on a center with 100 children enrolled and 53 qualifying for either free or reduced lunch. (One-hundred children enrolled is the typical center size in our area. Fifty-three qualifying children is an estimate based on the percentage of Georgia students in public schools who qualify for free and reduced lunches.)

The estimated meal reimbursement for Breakfast, Lunch, and Snack meals served for this center for one month is $5,784. This amount may be slightly different for states that do not pay based on a blended rate. However, this should still be a good estimate to begin considering this option.

At 15% (maximum allowed), the administrative fee charged to this center is $868.00 per month. In our financial model we assumed a 15% administration fee. However, based on the costs to deliver the service, a sponsor could charge less. The Alliance may be able to

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save child care centers money by charging less to administer the program than other sponsors.

The following budget projection shows our estimated expenses and revenue for the first year of operations. It shows a break-even point at month five with 3 participating centers. The funds invested up to that point are $6,116. Per federal regulations, these funds are not recoverable in subsequent months.

Financial Plan						
Month #	**#1**	**#5**	**#9**	**Year 1 Total by FY End**	**Year 2 Total by FY End**	**Year 3 Total by FY End**
Number of Centers	**0**	**3**	**6**	**10**	**20**	**30**
Administrative Revenue	$0.00	$2,604	$5,208	$40,796	$171,040	$284,440
Expenses						
Salaries	$1,000	$1,000	$2,000	$18,997	$79,000	$136,500
Benefits	$250	$250	$250	$3,000	$39,000	$65,000
Expendable Supplies	$300	$0	$300	$1,200	$9,100	$13,000
Printing	$150	$150	$300	$1,000	$13,000	$13,000
Postage	$50	$100	$100	$1,000	$5,200	$2,600
Advertising	$150	$150	$150	$1,000	$1,500	$2,000
Program Operation Travel	$100	$200	$300	$2,500	$13,000	$19,500
Contracted/Professional Services	$500	$200	$200	$2,500	$3,000	$18,000
Communication Cost	$100	$100	$100	$1,200	$1,200	$2,000
Durable Supplies	$0	$0	$	$1,500	$2,000	$1,000
Expense Total	$2,600	$2,150	$3,462	$33,897	$166,000	$272,600
Net Income or Loss	-$2,600	$454				
Break Even Point						
Cumulative Estimated Initial Investment (Month 1 - 4) All Income will be reinvested into program operations		**-$6,116**				

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Budget Assumptions:

- This assumes an average administrative fee for one center of $868.00 per month. The work done during the first month will involve training and getting the center ready to operate as well as setting up accounting controls. There will not be funding for these activities.
- Each month will produce a deficit until enough centers are recruited, trained, and claiming to produce enough revenue to cover all expenses.
- This event will take place at the five month mark with three centers recruited and claiming.

Financial Risk

Because center sponsors are financially liable to the state agency for any inaccurate claims, there is a financial risk of being a sponsor. If a center accidentally submits an inaccurate claim or if a center falsifies records and is later found to be fraudulent, the sponsor would be required to pay the amount of the false claim back to the state.

The sponsor would visit the center a minimum of once every four months. Evaluation tools used during site visits are designed to determine if a center's claim is inaccurate and these claims are not processed for payment. Thus, four months is the maximum number of months that a center can submit a false claim for repayment without it being detected.

From our experience as a home sponsor, falsification of records is rare. Even though we believe the risk to be small, we have created a scenario in order to get a sense of the possible monetary risk to a center sponsor. We assumed that one center falsifies a claim in a year involving 25% of their enrollment or 25 low income kids (classified as free and recipients of the highest possible reimbursement). We assume that that this continues for four months until we discover it in our monitoring visit. This would result

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in a reclaim amount of $473.22 for one month, a total of $1,892.88 for the 4 month period.

Ways to Mitigate Financial Risks and Reduce Costs

- Targeted Recruitment: We could target recruitment to programs that are accredited or working on accreditation or quality improvement. We assume that these programs have greater capacity and internal controls with regard to record keeping and compliance. In addition, we anticipate lower staff turnover resulting in less demand for CCFP training from the sponsor to ensure they are meeting requirements. This recruitment plan is a natural fit for shared service alliances with quality criteria for membership.
- Processing procedures: We could require centers to submit all supporting documentation, to include current enrollments and income eligibility information as well as menu and attendance records for review, PRIOR TO claim submission. Additionally, we could require that they use a software package that triggers the collection and tracking or required data.
- Increased monitoring: We could visit centers more often in the beginning (e.g., every 2 months for the first 6 months) to establish confidence and to provide extra training and technical assistance. Depending upon the other services offered by an Alliance, increased contact with participating centers may be easily provided.

Conclusions and Recommendations

Based on what we have learned, Quality Care for Children recommends the following roles for an Alliance:

<u>Start-up Assistance and Nutrition Support and Training:</u>

Provide start-up assistance to centers to help them complete the application for participation in the CCFP, which includes a management plan and budget and evidence of financial viability. The management plan outlines the processes and procedures the program will use to ensure compliance with state regulations. Approval of the application by the state means that the program has successfully met these requirements.

- Steps include:
  - preparation and completion of application materials;
  - conducting the public release of the nondiscrimination and free and reduced price policy statement
  - determining income eligibility and setting up the processes and procedures for maintaining income eligibility statements
  - developing the plan for official recordkeeping responsibilities, including meal count and enrollment information, roster maintenance, and an organized payee list and/or acquiring and implementing the CCFP software

- Provide access to discounts on software to help programs manage the record keeping, and if they choose, claim submission. TA on the software is provided by the vendor. It might be difficult for an Alliance to provide on-going technical assistance on the software unless they themselves were consistent users.

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- Provide nutrition training, assistance with menu planning, and access to food discounts through Alliance vendors.

QCC recommends that an Alliance NOT assume the role of advising programs with regard to the federal and state regulations unless your organization also serves as a child care center sponsor and you have significant expertise in this area. Even then, proceed with caution.

Food Program Sponsorship:

We recommend that an Alliance consider being a center sponsor for the CCFP. While this is a major decision that comes with its own financial risk to the Alliance, this might be the best way to ensure a center's participation and eliminate the financial risk they might incur from participation. It is also possible that the Alliance might be able to provide sponsor services for less than 15% of the center's claim, the typical amount that sponsoring organizations charge. Consistent with the purpose of the Alliance, this would both improve child care quality (nutritious snacks and meals are an indicator of quality) and provide additional revenue to support the financial viability of child care programs.

For more information, please contact Lisa Polk, Manager, Georgia Alliance for Quality Child Care, at lisa.polk@qualitycareforchildren.org