Agenda

• The Problem
• The Challenge: Current Solutions Aren’t Working
• Alternative Approaches
• Cross-Cutting Policy Issues
THE PROBLEM

The cost/price gap for infant + toddler care is huge.
Infants and Toddlers are Least Likely to be Served

Infants Enrolled by CCDF: 5%

Children Under 3 Enrolled by CCDF: 28%
The Cost Gap for Infants + Toddlers is Huge

Cost per Child
- Infant/Toddler: $11,484.00
- 3 & 4 yr olds: $7,128.00

Cost Gap
- Infant/Toddler: $3,828.00
- 3 & 4 yr olds: $2,640.00

Parent Market Price Co-Pay
- Infant/Toddler: $1,716.00
- 3 & 4 yr olds: $1,188.00

Parent Subsidy Co-Payment
- Infant/Toddler: $528.00
- 3 & 4 yr olds: $528.00

Parent Share
- Infant/Toddler: $2,244.00
- 3 & 4 yr olds: $1,716.00

Policy Approaches for Infant-Toddler Care October 2019
The Iron Triangle is Essential…yet

- Most providers don’t track, manage or understand Iron Triangle benchmarks
- Few business training courses teach Iron Triangle metrics
- Automated Child Management Systems are key to success, but rarely used by providers and not integrated with state subsidy systems
Intensive Focus on the Iron Triangle Increases Revenue

Basic Approach: 85% enrollment; 15% bad debt. Iron Triangle = 95% enrollment; 2% bad debt

- Child care center with 1 classroom each age group; revenue = CCDF + CACFP + parent fees
THE CHALLENGE

Most of our current policy approaches unintentionally amplify the problems
Rates Based on Market Prices Don’t Work for 0-3
(example from suburban area with many providers)

0-12 months

<table>
<thead>
<tr>
<th>Level</th>
<th>Market price</th>
<th>Cost per child</th>
<th>Subsidy rate</th>
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<tbody>
<tr>
<td>Level 1</td>
<td>$20.00</td>
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<td>$20.00</td>
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<tr>
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3 - 4 Year Olds

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<tr>
<th>Level</th>
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Rates Based on Market Prices Don’t Work for 0-3
(example from lower income, rural area)
Subsidy Rate “Bands” Often Don’t Align with Licensing Ratios

### Licensing Ratios

<table>
<thead>
<tr>
<th>AGE OF CHILDREN</th>
<th>ADULT/CHILD RATIO</th>
<th>MAXIMUM SIZE OF GROUP</th>
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</thead>
<tbody>
<tr>
<td>0 - 12 months</td>
<td>1:5</td>
<td>10</td>
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<tr>
<td>12 - 24 months</td>
<td>1:5</td>
<td>10</td>
</tr>
<tr>
<td>24 – 36 months</td>
<td>1:7</td>
<td>14</td>
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<tr>
<td>3 years</td>
<td>1:10</td>
<td>20</td>
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<tr>
<td>4 years</td>
<td>1:12</td>
<td>24</td>
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<tr>
<td>5 years +</td>
<td>1:15</td>
<td>30</td>
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### Age Breaks for CCDF Subsidy

<table>
<thead>
<tr>
<th>AGE OF CHILDREN</th>
<th>REIMBURSEMENT RATE</th>
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<tr>
<td>0 - 6 months</td>
<td>$44.50/day</td>
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<tr>
<td>6 – 12 months</td>
<td>$44.50/day</td>
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<td>12 – 18 months</td>
<td>$40.25/day</td>
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<tr>
<td>18 – 24 months</td>
<td>$40.25/day</td>
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<tr>
<td>24 – 30 months</td>
<td>$32.75/day</td>
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<tr>
<td>30 – 36 months</td>
<td>$32.75/day</td>
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<tr>
<td>36 months - 5 years</td>
<td>$32.75/day</td>
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</tbody>
</table>
Too Many Babies… and the Iron Triangle Breaks!

• Full Enrollment MUST include pre-school or school-age children
  • To meet NAEYC standards and break even, programs need at least 100 children of mixed ages

• Full Fee Collection is often impossible with high tuition and payment based on attendance
  • Infant-toddler care is typically a loss leader
  • Babies get sick a lot

• Third Party Funding via grants or contracts is rarely available
  • PreK and Head Start limited to 4 yr olds
  • Early Head Start Partnerships rarely pay full cost

• The best route to sustainability is to CLOSE the baby room!
ALTERNATIVE APPROACHES

Reform is Essential

*If you do what you’ve always done; you get what you’ve always got*
What Policymakers Can Do

• Alternative approaches to subsidy rate-setting + rate policy
• Intentional strategies to target funding to infants and toddlers.
• Support innovative business models that enable scale and sustainability
  • Back-office services
  • Micro-centers
  • Staffed Family Child Care Networks that include business management and leadership
Cost Modeling

States are permitted to base rates on alternative methodologies such as Cost Modeling. Resources:

- Provider Cost of Quality Calculator (PCQC) 
  https://www.ecequalitycalculator.com/

- Where Does Your Child Care Dollar Go? A cost calculator developed by the Center for American Progress 
  https://www.costofchildcare.org/
## Align Rate “Bands” With Ratios

### Licensing Ratios

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### Rate Break-Outs

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<td>$32.75/day</td>
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<tr>
<td>4 years</td>
<td>$32.75/day</td>
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<tr>
<td>5+ years</td>
<td>$32.75/day</td>
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</table>
Support Iron Triangle Management

• **Full Enrollment**
  - Streamline eligibility + redetermination process
  - Consider slot contracts
  - Encourage use of automated Child Management Systems (CMS)
  - Enable APIs to provider CMS (to avoid errors due to double-entry)

• **Full Fee Collection**
  - Keep co-payments low
  - Model potential ‘second co-payment’ – can this gap be removed or narrowed?
  - Encourage providers to use automated fee collection (via ACH)
  - Support reconciliation of public subsidy payments

• **Revenue Covers Cost**
  - Understand cost: rate gap – and address it when possible
  - Encourage automated fee collection and CMS
  - Explore ways to help providers leverage third party funding
Target Funding for Infants and Toddlers

- Special Initiatives (e.g. Baby Promise in Oregon)
- Earmark % of PreK $ for babies (e.g. Illinois)
- Strategic Support for EHS-CC Partnerships (e.g. contracts and/or waivers)
- Priority for CCDF slots

For more information on Initiatives that target infants + toddlers, visit to the National Collaborative for Infants and Toddlers [www.TheNCIT.org](http://www.TheNCIT.org)

…or reach out to Gerry Cobb
Director, Pritzker Children’s Initiative [gcobb@pritzkerfoundation.org](mailto:gcobb@pritzkerfoundation.org)
INNOVATIVE BUSINESS MODELS

- Back-office services
- Micro-centers
- Staffed Family Child Care Networks that include business management and leadership
Shared Back Office
Virginia

Consider it “done” when you bring in RASA:

- Bill tuition
- Handle past due payments
- Run financial reports
- Process A/P
- Process A/R
- Post job announcements
- Sort resumes
- Set up interviews
- Phone screen for new hires
- Reference checks for staff
- Background checks
- Check child files for compliance
- Run payroll
- Troubleshoot computer

- Retain teachers and counselors
  Improve the quality of services and employment continuity. Gain back time from the endless cycle of hiring.

- Increase 401k and medical
  Keep current employees comfortable and financially secure. Award bonuses for employment longevity.

- Offer professional development
  Keep your key talent trained, focused, and fully informed with day-to-day and offsite training programs.

Planning and fundraising leadership from Virginia Early Childhood Foundation. Launch in East Richmond. Expanding into Hampton Roads area.
Shared Back Office Virginia (Results)

- Decreased administrative expenses + shifted savings into direct services
- Director had 17 more hours/wk to work with teachers in classrooms
- Boosted revenue via targeted focus on the Iron Triangle + reaching higher quality:
  - Offered more affordable Health Insurance Plan
  - Offered all FT employees a 401K Plan
  - Able to given another wage increase
  - Will increase supply – plan to add another toddler classroom
Shared Back Office Texas

- Local Workforce Boards allowed to use CCDF Quality Dollars to purchase back-office Shared Service Solutions

- Children at Risk Offers Statewide TA Leadership on Shared Services

Partnership between 501Ops (Business Leadership) and Child Care Group (Pedagogical Leadership)

- Expanding to San Antonio, Central Texas, Amarillo
Shared Back Office Texas

**Smart Care Cohort**
- Served 10 centers
- Dedicated staff rotate among centers (half day each week)
- Help with implementation and onboarding for centers, and maintaining training for staff
- Coaching from child care group to tie to weekly reports.
- Ability to roll up data from multiple centers/systems into coordinated report

**Results**
- Reduced bad debt and accounts receivable
- Starting to track attendance in real time and project vacancies
- Saves over 40 + hours of time per month per center.
- Standardization of procedures and data collected
- Reduce the time to implement and use system (3 months)
MICRO-CENTER NETWORK HUB

- Hires + supervises teachers
- Helps families with enrollment, subsidy paperwork, parent engagement, needed supports
- Manages fiscal + reporting management for all sites, including fee collection
- Leads collaborative marketing + fundraising.
- Ensures all sites are high-quality, based on QRIS, licensing, accreditation as appropriate

MICRO-CENTER HOST

- Makes classroom space available for free or minimal cost
- Helps support cost of renovation, equipment, furnishing, janitorial
- Collaborates with Hub to ensure compliance with licensing, insurance + local codes
- Markets services to employees

GOVERNMENT

Enables innovation via waivers to test alternative approaches to licensing and staffing; support for electronic billing and automated records.
Why Micro-Centers?

- Narrows the cost gap in infant + toddler care via:
  - Scaled leadership + administration across many small sites
  - Increased revenue due to skilled fiscal staff at Hub + capacity to manage partnerships with EHS and other third party funders
  - Lower facility costs due to Host organization supports
- Focuses resources on the classroom, enabling better wages
- Can build supply for infants + toddlers more quickly (via expansion one classroom at a time vs whole center)
- Strategy to scale high-quality ECE centers
Staffed FCC Networks

• It is not reasonable to expect home-based providers to be full-time teachers AND manage complex fiscal and administrative paperwork

• With shared staff and automation, business tasks can be scaled to:
  • Reduce time spent on paperwork and boost revenue
  • Deepen teaching skills with regular reflective supervision
  • Conduct regular child assessments and use data to guide teaching
  • Offer needed family supports
Staffed Family Child Care Networks with Business Emphasis

- Traditional FCC Networks focus on improving quality and/or reducing provider isolation
- SFCCN that include business leadership focus on ensuring that providers earn a decent living and spend time with children, not paperwork, and include:
  - Iron Triangle Management – help with pricing, collections, marketing, enrollment
  - Automation -- systems to save time and strengthen administration
  - Efficient Administration – including support for subsidy, licensing, QRIS, and more.
SFCCNs That Include Business Leadership

District of Columbia RFA
Shared Services Business Alliance for Family Child Care

RFP for Hub Selection
CT Family Child Care Business Alliance
### Policy Approaches for Infant-Toddler Care October 2019

<table>
<thead>
<tr>
<th>Preschool/Child Care</th>
<th>Address</th>
<th>Hours</th>
<th>Tuition</th>
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<td>Brunaco Child Care</td>
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<td>Honeybirds Playschool</td>
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<td>Montessori</td>
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<tr>
<td>Whipple Learning Cove Wonderschool</td>
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**Philosophy**

At the Art of Words Preschool, we believe that children learn and thrive by exploring the world around them. Our goal is to provide an environment that makes children feel welcomed and at home, where they can discover their potential and enjoy learning.

**Admissions**

Join our The Art of Words Preschool community in four easy steps:

1. Visit our website
2. Discover our program
3. Submit an Admission Application
4. Enroll Today

**Contact Information**

Wonderschool Certified Provider
- 1060 Madison Avenue, New York, NY 10028
- Phone: (212) 888-9999

**Location**

471 Central Park West, New York, NY 10028

**Related Programs**
- Preschool: The Art of Words
- Montessori: Greenpoint Montessori

*All information subject to change. For the most up-to-date information, please visit our website or contact us directly.*
Cross-Cutting Policy Opportunities

- Encourage provider-based Child Management Systems (CMS) like ProCare, Smart Care, Brightwheel – many off-the-shelf products will work
  - Enable “API” links for subsidy billing and compliance information
  - Allow electronic signatures for subsidy + compliance paperwork
  - Allow third party billing
  - Allow staff records to be maintained electronically by a shared back-office (especially important for background checks for subs)
- Revisit requirements for site directors and leaders
Cross-Cutting Finance Opportunities

• Targeted, increased funding for infant + toddler care
  • Disproportionately large rate increases and/or contracts
  • New initiatives or earmarks
• Start-up funding for provider-based technology and back-office solutions
• Start-up funding for Staffed Family Child Care Networks with Business Leadership
For more information…

www.opportunities-exchange.org

www.stoneyassociates.com

www.TheNCIT.org