Policy Implications from the Provider Cost of Quality Findings

Ohio Association of Child Care Providers

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Early Learning Financing Project

• Started in March 2014
• Anne Mitchell, early childhood financing expert
• Utilized the Provider Cost of Quality Calculator
• Also utilized other tools
Goals

• Use real data to determine:
  ▪ Cost in all settings, all quality levels.
  ▪ Start estimating one-time costs to get to quality.

• Create recommendations.
Provider Cost of Quality Calculator (PCQC)

- Counties: Auglaize, Coshocton, Hamilton, Lawrence, Lucas, and Montgomery.

- Analysis used:
  - Publicly available sources where possible
  - Feedback and validation from providers
  - Surveys to providers
Considerations for Estimating the Costs of Quality

• Expense Drivers:
  o Ratios and class size
  o Staff salary and benefits
  o Per-child costs: child assessments and family engagement activities.
  o Per-classroom costs: time for additional planning, assessment, etc.
  o Nonpersonnel (occupancy, supplies, materials, equipment, etc.)

• Revenue Drivers:
  o Parent tuition
  o Subsidy payments
  o Bad Debt (collections) and enrollment efficiency
  o Child and Adult Care Food Program (CACFP)
Variables in the Cost Model

• Quality Levels
• Ages of Children
• Classroom Size
• Family Income
• Efficiency (Enrollment & Bad Debt)
• Quality Achievement Awards
Key Assumptions in the Cost Model

• Salaries increase with education and training.
• Private tuition rates increase by quality level.
• Providers utilize CACFP.
• Optimal enrollment and timely collection of all revenue are essential to a program’s financial sustainability.
Financial Stability: The Iron Triangle
100% Subsidy, Urban

Annual Net Revenue Percentage, 79%
Enrollment*

Minimum Annual Net Revenue for Operations

* Net revenue as a percentage of total revenue.
+ Calculated as positive annual net revenue equal to 10% of total annual revenue
100% Subsidy, Rural

- Annual Net Revenue Percentage, 79%
- Enrollment*

- Minimum Annual Net Revenue for Operations+

* Net revenue as a percentage of total revenue.
+ Calculated as positive annual net revenue equal to 10% of total annual revenue
Policy Implications

• Consolidating market rate categories

• Increasing the base rate to support programs unrated through Five Star

• Increasing tiered reimbursement levels to incentivize providers

• Changes to enrollment and attendance policies
Next Steps

• Finalizing Public School Preschool

• Cost data for Family Child Care