



Great Start for All Minnesota Children Task Force

Working Group Meeting #5: Family and Program Affordability Working Group

June 9, 2022

Welcome!

Here are our virtual meeting protocols



- **Please be on video** as much as possible to help with overall engagement
- **Mute self** when not speaking
- Use **Chat feature** or **“raise hand” button** for questions or comments
- Technical issues can happen to anyone – **chat privately to Hannah Quinn for any needs**
- If you are experiencing an unstable connection - **switch to phone call or close other applications**
- Members of the **public can submit written feedback to** greatstart.taskforce.mmb@state.mn.us

Reminder: Norms & Expectations

- **Members attend meetings prepared and on time**
- **Engage in respectful dialogue**
 - Everyone's input is important
 - Assume best intent
 - Listen with an open mind, and for commonalities
 - Don't say or type anything you wouldn't want to have shared in public
- **Be actively engaged**
 - Don't just disagree, offer a doable alternative idea
 - Speak to the point on the floor
 - Apply your expertise and networks
- **Confirm decisions as we go**
 - Strike a balance between gathering input and moving forward



Protocols to ensure effective discussion

It is critical we use our very limited time together on topic.

- If conversation is **irrelevant to the topic at hand or becoming too narrow** for the scope of our work, *we will redirect with a gentle reminder of the topic at hand.*
- If conversation moves to **points already agreed to by the Task Force**, *we will redirect with a gentle reminder that the topic has been addressed.*

It is critical that all perspectives are heard.

- Please help us in ensuring all Task Force members have time in meetings to share their voice and input. *If you find you are speaking up often, pause to allow space for others.*
- Please let us know if you find it challenging, for any reason, to share your perspectives in our Task Force meetings.
- Reminder there are other opportunities to provide input outside of two-hour meetings, including 1:1 discussions with Task Force leadership, and by providing written input. Requests for individual time and any written input can be provided to greatstart.taskforce.mmb@state.mn.us.

Guiding Principles

Guiding Principles reflect the Task Force's values and beliefs, guide how it operates, and lay a foundation for decision-making

Promote Equity	Prioritize Family Perspectives, Needs, and Choices	Support the Power of Local Communities	Build Upon our Solid Foundation	Uplift and Diversify the ECE Workforce	Recognize Implementation Realities	Expect High Quality & Effectiveness	Design for Stability, Sustainability, and Positive Impact
<p>We will prioritize a system that promotes equitable outcomes, with a specific focus on children of color and building cultural competency in ECE classrooms.</p>	<p>We will prioritize families' perspectives, needs, and choices as we make data driven and evidence informed recommendations, recognizing that all provider types and settings provide value to the system.</p>	<p>We will ensure local communities are able to define their own priorities and are supported to build the system that meets their children and families' needs.</p>	<p>We will build upon the successes of Minnesota's past and current system, lessons from other states, and the expertise and research in the field.</p>	<p>We will invest in our dedicated and capable early childhood professionals so that they have the opportunity to thrive and grow, and we will build and support a racially diverse workforce.</p>	<p>We will recognize inherent system constraints while remaining responsive to local, state, and federal landscape changes.</p>	<p>We will endeavor to create a high quality and effective ECE system that meets the needs of all of Minnesota's children and families, regardless of circumstance, knowing that the state's future workforce, economy, and resident welfare is dependent upon it</p>	<p>We will work to support funding stability for providers, educators, and staff across mixed delivery settings to ensure better service for families.</p>

Welcome & Agenda

Family and Program Affordability Working Group

Voting Members	Non-Voting Members
Representative Liz Boldon	Janell Bentz, Minnesota Department of Revenue
Shakira Bradshaw, Parent Children Under 5	Summer Bursch, Minnesota Association of Child Care Professionals (MACCP)
Kath Church, Family Child Care Program	Deb Fitzpatrick, Statewide Advocacy Organization
Brook LaFloe, Tribal Representative	Missy Okeson, Minnesota Initiative Foundations (MIFs)
Jayne Whiteford, Parent Children Under 5	Clare Sanford, Minnesota Child Care Association
	Tonia Villegas, Minnesota Association of County Social Services Administrators
	Cindi Yang, Department of Human Services

Our Working Group Charge

Define what an **affordable ECE system** that *works for families* and that *providers / programs want to be part of* looks like in Minnesota and how it can be achieved.



What We Must Consider

Per the Legislation

- The maximum percentage of income that families must pay for ECE
- The process through which families will access financial assistance for ECE (infrastructure, benefit mechanisms, and financing mechanisms)
- How provider payment rates for childcare will be determined and updated
- How to streamline funding and reduce complexity in plan administration
- Roles in administering the plan (including state agencies, local agencies, and community-based organizations)
- How to maintain and encourage the further development of Minnesota's mixed-delivery system in the plan

Family Contributions

Family Benefit Mechanisms

Provider /Program Funding

Administration

Types of Questions We Will Explore

(non-exhaustive)

Family Contributions

- What are today's family co-pay policies for child care financial assistance, and how is it working for families?
- What alternative co-pay policies might we consider and why? What would potential changes mean for affordable access and equity for families within the system?
- What financial impact would a change in family co-pay rates have?

Family Benefit Mechanisms

- How should families access financial assistance in the future system (what are the “benefit mechanisms”)?
- How can we ensure family choice of care setting is maintained and further supported?
- How can we make the system more transparent and accessible to families?

Provider/Program Funding

- What changes are needed in provider/program pay for a stable, sustainable system for all programs types?
- How should provider/program funding be determined and updated?
- How can we ensure provider/program pay is equitable across the mixed delivery system?

Administration

- How should the system of provider pay and family benefits be administered to best meet our goals?
- What roles might exist for state agencies, local agencies, community-based organizations, and other entities in the future plan?
- What infrastructure needs exist to set this future system up for success?

Planned Sequencing of Discussions

Month	Anticipated Topics
February	Introductions & Overview
March - May	Family Affordability: <ul style="list-style-type: none"> • Eligibility • Co-payments • Accessing Benefits
June - July	Provider/Program Sustainability: <ul style="list-style-type: none"> • Determining pay levels • Pay process challenges
August	Administration <ul style="list-style-type: none"> • Streamlining funding and reducing complexity • Roles in plan administration
September – October (TBD)	Finalize Recommendations

Definitions:

- **Eligibility** – The criteria needed for a family to be designated as eligible to receive payment assistance for care and/or services.
- **Co-payments** – Payments required from families to pay for services.
- **Family Benefits** – Resources or in-kind services families receive from the state.
- **Programs/Providers**: The entities where services are being provided (businesses, family child care homes, school districts, etc.).
- **Workforce**: The people who provide early care and education, including licensed family child care providers, teachers, paraprofessionals, and assistants.
- **Administration** – Government management and oversight of benefits, services, and resources.

*Family Child Care owners are both providers and workforce

TODAY'S GOALS

- Come to conclusion on short-term CCAP and ELS recommendations
- Explore updates to our long-term family benefits recommendations
- Acclimate ourselves to provider/program pay systems, and discuss challenges and opportunities

Working Group Meeting #4 Agenda – 2 hours

1:00 – 1:15 p.m. Goals and reminders

1:15 – 2:15 p.m. Discuss Task Force feedback on Family Benefits recommendations

2:15 – 2:55 p.m. Understand the current provider/program pay structure and process with an eye toward opportunities to improve

2:55 – 3:00 p.m. Next steps and close out

Our Equity Commitments

In all our conversations, we will strive to:

- **Center children and families**
- Pay **particular focus to the needs and priorities** of historically disenfranchised children and families and their communities
- Specifically contemplate **how our decisions may benefit or harm** historically disenfranchised children and families and their communities
- Seek the **expertise and input from stakeholders** already doing the work in historically disenfranchised communities
- Where possible, consider **data that provides insight** into the relative impact on historically disenfranchised children and families and their communities

Feedback on Family Benefits Recommendations

Draft Recommendations Package Path Forward

- **TODAY!** Go over feedback received from full Task Force and align on changes
- **TOMORROW Friday June 10th** – Send out edited package of recommendations to the full Task Force
 - Note: we will be pausing on the long-term family affordability recommendations until July/August

From here, we follow the process shared with the full task force in our May 31st meeting:

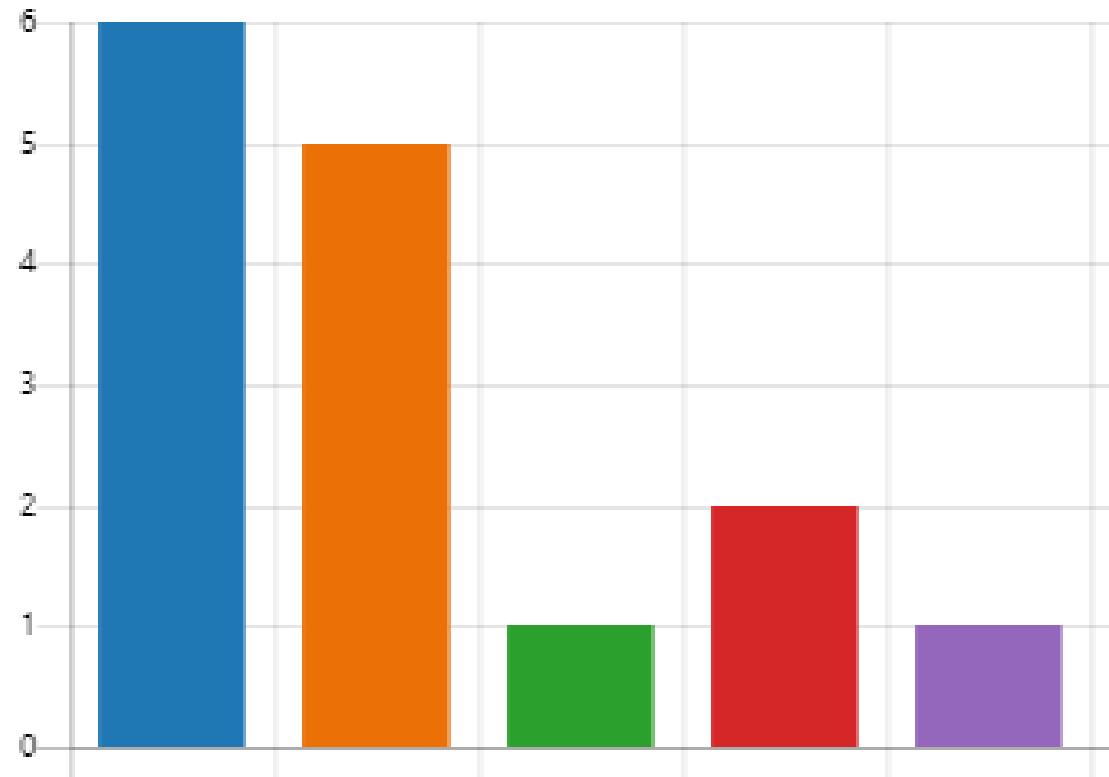
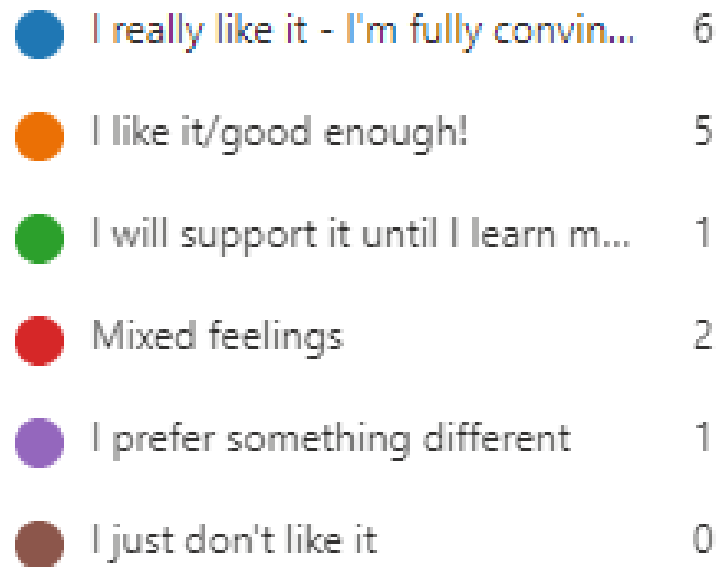
- **Through Friday, June 17:** All final feedback on edited recommendations package must be received.
- **Tuesday, June 28 (Meeting 8):** Move to vote on a package of recommendations



DRAFT Short-Term Recommendations for Family Affordability: Child Care Assistance

- **Expand eligibility by adjusting income requirements, including by updating** income eligibility guidelines annually for inflation and increasing to the federal allowed eligibility of 85% of State Median Income (SMI).
- **Expand eligibility by increasing eligible activities**
 - Families in a substance use treatment program, families experiencing domestic violence, and families in a mental health treatment programs. Children who are in foster care or who are under CPS supervision should get automatic access to child care assistance programs.
 - Increase hours covered to ensure continuity of care.
- **Reduce co-payments to improve affordability for lower- and middle-class families**
 - Reduce co-pays to improve affordability for middle class families.
- **Other recommendations – family affordability**
 - Clear policy, process, and training to create even administration of the program across counties.
 - Consider multiple entry points to meet families' needs. This could include PDG Community Hubs or Early Learning Scholarship Area Administrators.
 - Permanent reprioritization of the Basic Sliding Fee waitlist.
 - Remove the eligibility requirement to cooperate with child support requirements.
 - Make payments simpler for families: one idea could be creating a debit card linked to a provider ID with a preloaded benefit amount. This would have to be done in a non-stigmatizing way.

Feedback: Short-Term Recommendations for Child Care Assistance



Feedback: Short-Term Recommendations for Child Care Assistance

- General support for using as many federal dollars as possible to support families within the current system:
 - *“All of these are steps MN could take that are already allowed, and we should do them!”*
- Support for expanding eligibility by increasing eligible activities (x2)
 - Question regarding removing the child support cooperation idea – will that affect funding?
- Simplifying administration of ELS/CCAP behind the scenes is important, including making sure that federal dollars are the first used
 - Expanded eligibility in CCAP should be mirrored in expanded eligibility in ELS
- The “other recommendations” section could be better organized, and reasoning for changes should be clearly explained.
- Provider pay:
 - Payment process and communication must be improved
 - The “debit card” idea is interesting and should be explored, but may need to be a long term recommendation

Proposed Edits based on Feedback: Short-Term Recommendations for Child Care Assistance

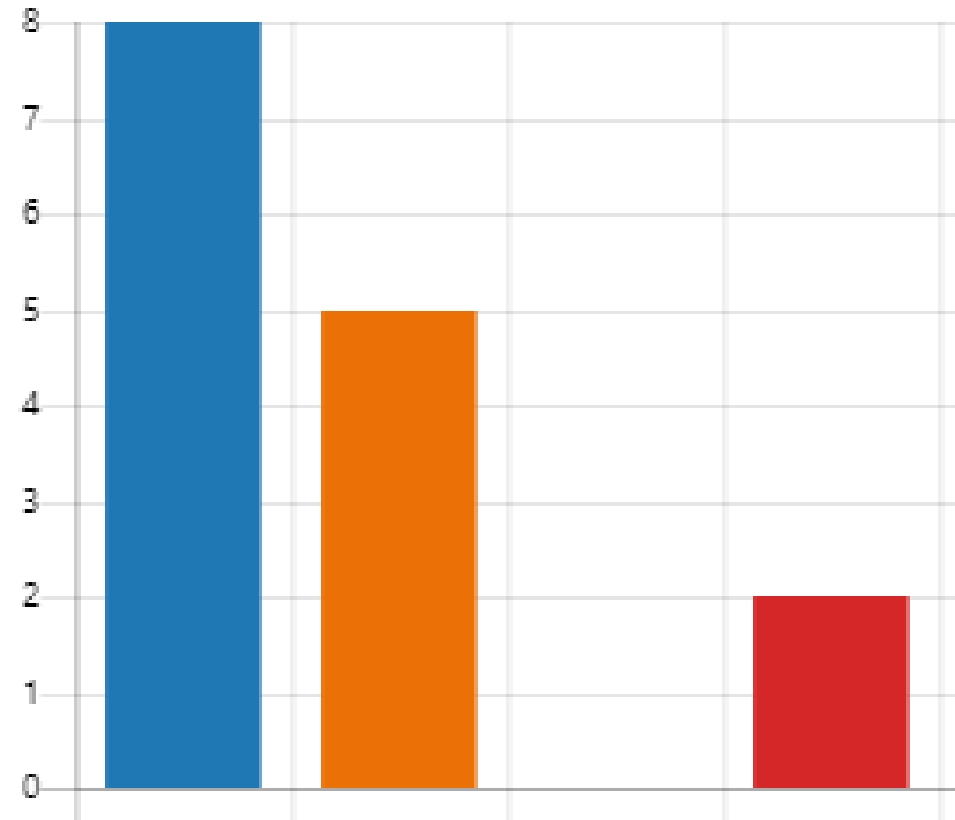
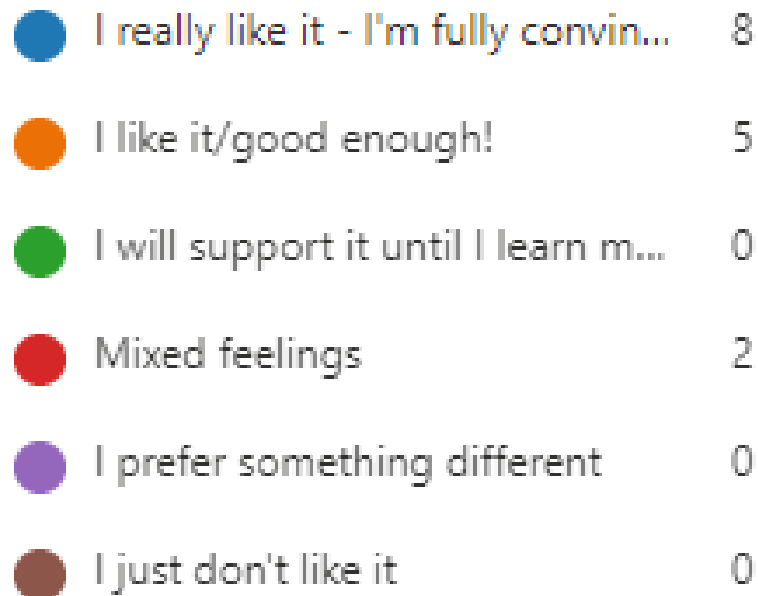
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 - Increase hours covered to ensure continuity of care.
- **Reduce co-payments to improve affordability for lower- and middle-class families**
 - ~~Reduce co-pays to improve affordability for middle class families.~~
- **Other recommendations – family affordability**
 - **System Improvements**
 - Clear policy, process, and training to create even administration of the program across counties.
 - Consider multiple entry points to meet families’ needs. This could include PDG Community Hubs or Early Learning Scholarship Area Administrators.
 - **Legislative Program Changes**
 - Permanent reprioritization of the Basic Sliding Fee waitlist.
 - Remove the eligibility requirement to cooperate with child support requirements.
 - **For Further Study**
 - Make payments simpler for families: one idea could be creating a debit card linked to a provider ID with a preloaded benefit amount. This would have to be done in a non-stigmatizing way.



DRAFT Short-Term Recommendations for Family Affordability: Early Learning Scholarships

- **Increase scholarship funding to cover the full cost of care, while increasing funds appropriated for scholarships**
 - There has been some progress in raising caps in the last few years but even the highest ones for 4-star programs and children with priority status do not cover full-time care. The scholarship cap is too low to cover many providers, especially for infants.
 - Once a child receives a scholarship, they receive it annually until they enter kindergarten. By increasing the scholarship cap, we do not mean to limit the number of children receiving scholarships. Any increase in the scholarship cap should take that into consideration by also increasing total funds allocated.
- **Expand age eligibility to include birth-3**
 - Scholarships are currently focused on 3- and 4-year-olds (and children with priority status aged birth-4, along with younger siblings of scholarship recipients). Given what we know about brain development, scholarships should be eligible for children aged birth to five, because the earliest years are so developmentally important.
 - Once a child receives a scholarship, they receive it annually until they enter kindergarten. By increasing eligibility to children aged birth-3, we do not mean to limit the number of children receiving scholarships. Any increase in the age eligibility should be met with corresponding increases in total funds allocated.
- **Simplify the administrative system and reduce burden**
 - Scholarships and CCAP have completely different billing and tracking systems, which causes undue burden on families and providers. Having them be in the same system would go a long way. Administrative agencies must determine the appropriate management and oversight structures to allow for this.
 - Effective electronic systems that can be updated to meet the changing needs of families and administrators are needed.

Feedback: Short-Term Recommendations for Early Learning Scholarships



Feedback: Short-Term Recommendations for Early Learning Scholarships

- Support for simplifying the administrative burden:
 - *“Simplifying would be so helpful for new providers and young families!!!”*
- Support for expanding age eligibility to start at birth and increasing funding to cover full cost of care
- Interactions between CCAP and ELS:
 - *“2 underfunded programs serving largely similar populations that must often access BOTH funding streams in order to get needs covered.”*
- Recommendation from one respondent to focus on ELS over CCAP:
 - Expanded eligibility should mirror the categories presented in the short term CCAP recommendations
 - Increase income eligibility to 300% of federal poverty level
 - Suggestion to fully fund ELS and make it Minnesota’s primary access program while coordinating funding streams

Proposed Edits based on Feedback: Short-Term Recommendations for Early Learning Scholarships

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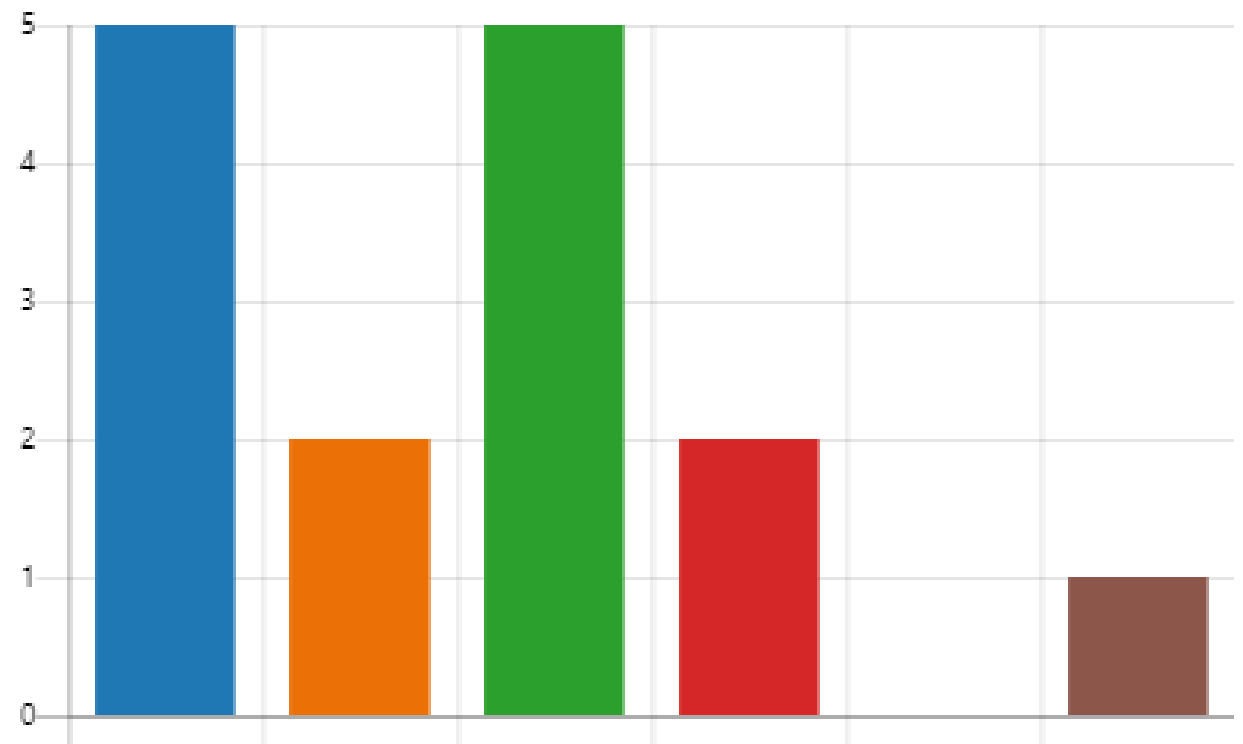


DRAFT Long-Term Recommendations for Family Affordability: Benefits

- **Fully funding Child Care Assistance, at rates that cover the full cost of care and for the true demand in the system.** This means between state and federal funding sources, there should be enough money in the system to provide coverage based on eligibility guidelines and established co-pay schedules. With this level of funding, assuming provider capacity exists, there would be no systemic waitlists (though program-specific waitlists may still exist) and all eligible families would have access to benefits.
- **Increasing income eligibility for assistance to 250% of State Median Income (SMI),** which means a family of 3 with up to about \$237,000 of income would be eligible to participate. This is a marked increase from today's eligibility.
- **Limit family copayments to 7% of income,** which means eligible families would pay no more than 7% of their income toward early care and education.
- **Eliminate co-payments for families making 200% or less of the Federal Poverty Line (FPL).** Co-payments are especially challenging for families below, at, or near the federal poverty line, who often struggle to pay for basic living necessities. Eliminating co-payments for low-income families removes this burden entirely.
- **Simplify all aspects of eligibility** by removing differing entry, exit, and redetermination income amounts. The current system is complicated and may be confusing for families. By simplifying eligibility to include all families earning up to 250% of the SMI, there will be one exit level for the program, and all families earning under that income limit will be eligible.
- **Utilize state funds for Early Learning Scholarships to support expanded child care assistance coverage, to cover families not eligible, to cover or specific family needs not fully covered by child care assistance.**

Feedback: DRAFT Long-Term Recommendations for Family Affordability Benefits

- I really like it - I'm fully convin... 5
- I like it/good enough! 2
- I will support it until I learn m... 5
- Mixed feelings 2
- I prefer something different 0
- I just don't like it 1



Feedback: DRAFT Long-Term Recommendations for Family Affordability Benefits

- *“The more we can blend our financial supports through a mixed delivery model, the better. We need to maximize federal funds and create something in MN that is less cumbersome and meets the needs of families for choices of programs.”*
- Support for simplifying aspects of eligibility and administration
- Concern that increasing eligibility to 250% of SMI is too high, may be unattainable or not popular due to cost
 - Reasoning needs to be explained clearly
 - Recommendation that an economic analysis be performed by a qualified researcher.
 - Mechanisms to keep costs in check should be explored
- Keeping long-term recommendations within current frameworks might be hurting our discussions:
 - *“People are so wedded to their own preferred program or funding stream that they are sometimes blind to the good parts or similarities of others.”*
 - *“It would be better to say here's the system we want, and once we agree on that, we can start picking apart the options that currently exist and how they could be supported/morphed/scrapped/whatever to support those end goals. When we start by saying "do this or that with program X" people can only think of how X operates now, and we can't move forward.”*
 - The current CCAP program does not allow for this level of expansion with federal funds, any expansion would be state funded – should we explore a new program?
 - Could ELS be the primary funding stream? Should it be a new program to capture more flexibility?
 - *“What new funding mechanisms were considered? We aren't bound to the current systems. Are we exploring new? Do we need two systems moving forward?”*
- ^{6/17/2022} Need to address quality and not just increasing access

What does this mean?

How do we move forward based on this feedback?

- Generally, the Task Force likes the direction of dramatically expanding access to support families
- But we need to think about:
 - Pushing beyond the existing programs/language of existing programs – is this something new entirely?
 - Related, the limitations to federal CCAP and implications on our plan – what are the pros and cons of the frameworks of existing benefits programs that we can build from?
 - How this promotes a system of quality, not just a system of access – how does provider pay (which we will cover today) impact or address this?
 - The cost of this and how palatable this is – might we need to prioritize?
- Need to better explain our rationale for our “Affordability Standard”

Proposed Edits based on Feedback: DRAFT Long-Term Recommendations for Family Affordability: Benefits

- **Fully fund ~~Child Care Assistance~~ a program** at rates that cover the full cost of care and for the true demand in the system. This means between state and federal funding sources, there should be enough money in the system to provide coverage based on eligibility guidelines and established co-pay schedules. With this level of funding, assuming provider capacity exists, there would be no systemic waitlists (though program-specific waitlists may still exist) and all eligible families would have access to benefits.
- **Ensure future funding incentivizes and equitably supports providers across the mixed delivery system and across geographies in achieving high quality standards.**
- **Increase income eligibility for assistance to 250% of State Median Income (SMI)**, which means a family of 3 with up to about \$237,000 of income would be eligible to participate. This is a marked increase from today's eligibility.
- **Limit family copayments to 7% of income**, which means eligible families would pay no more than 7% of their income toward early care and education **regardless of the number of children in care.**
- **Eliminate co-payments for families making 200% or less of the Federal Poverty Line (FPL).** Co-payments are especially challenging for families below, at, or near the federal poverty line, who often struggle to pay for basic living necessities. Eliminating co-payments for low-income families removes this burden entirely.
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- ~~Utilize state funds for Early Learning Scholarships to support expanded child care assistance coverage, to cover families not eligible, to cover or specific family needs not fully covered by child care assistance.~~

What does a system of 250% SMI eligibility mean to families?

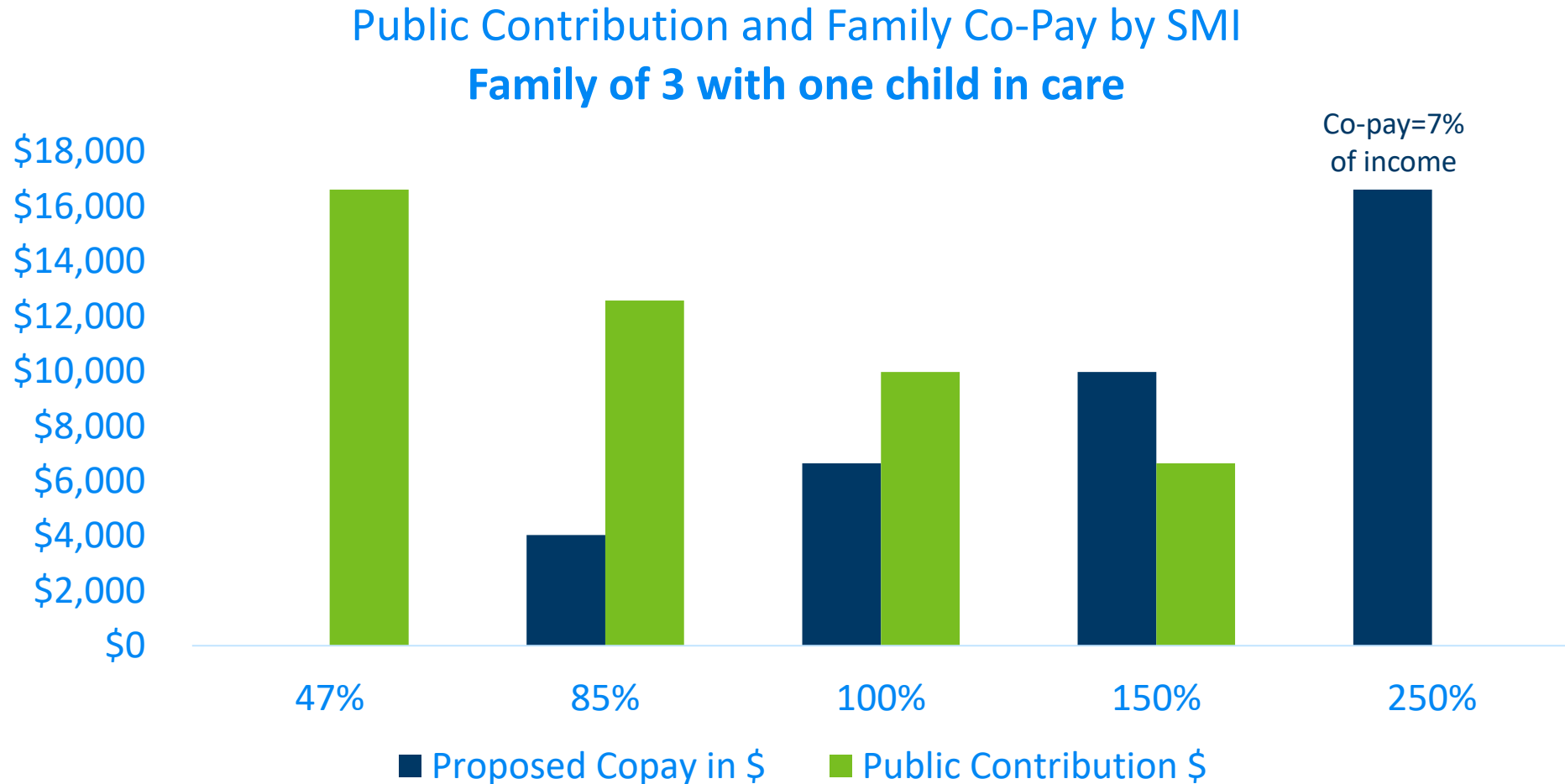
Family Size	Annual Income Entrance Level 47% SMI	Annual Income Exit Level 85% SMI	100% SMI	150% SMI	250% SMI
2	\$36,096	\$65,281	\$76,800	\$115,200	\$192,000
3	\$44,589	\$80,640	\$94,870	\$142,305	\$237,175
4	\$53,083	\$96,001	\$112,943	\$169,415	\$282,358
5	\$61,576	\$111,361	\$131,013	\$196,519	\$327,533
6	\$70,069	\$126,721	\$149,083	\$223,624	\$372,707

What does a system of 250% SMI eligibility and max 7% co-payments mean to families?

Family of 3 Co-payment Chart for one child (directional estimate):

% SMI	47%	85%	100%	150%	250%
Income	\$44,589	\$80,640	\$94,870	\$142,305	\$237,175
Current Copay Rate	5%	11%	N/A	N/A	N/A
Current Copay in \$	\$2,288	\$8,892	N/A	N/A	N/A
Proposed Copay Rate	0%	5%	7%	7%	7%
Proposed Copay in \$	\$0	\$4,032	\$6,641	\$9,961	\$16,602 (covers the full avg cost today)
Public Contribution \$ (based on today's avg costs)	\$15,400	\$11,368	\$8,759	\$5,439	\$0

What does a system of 250% SMI eligibility and max 7% co-payments mean to families?



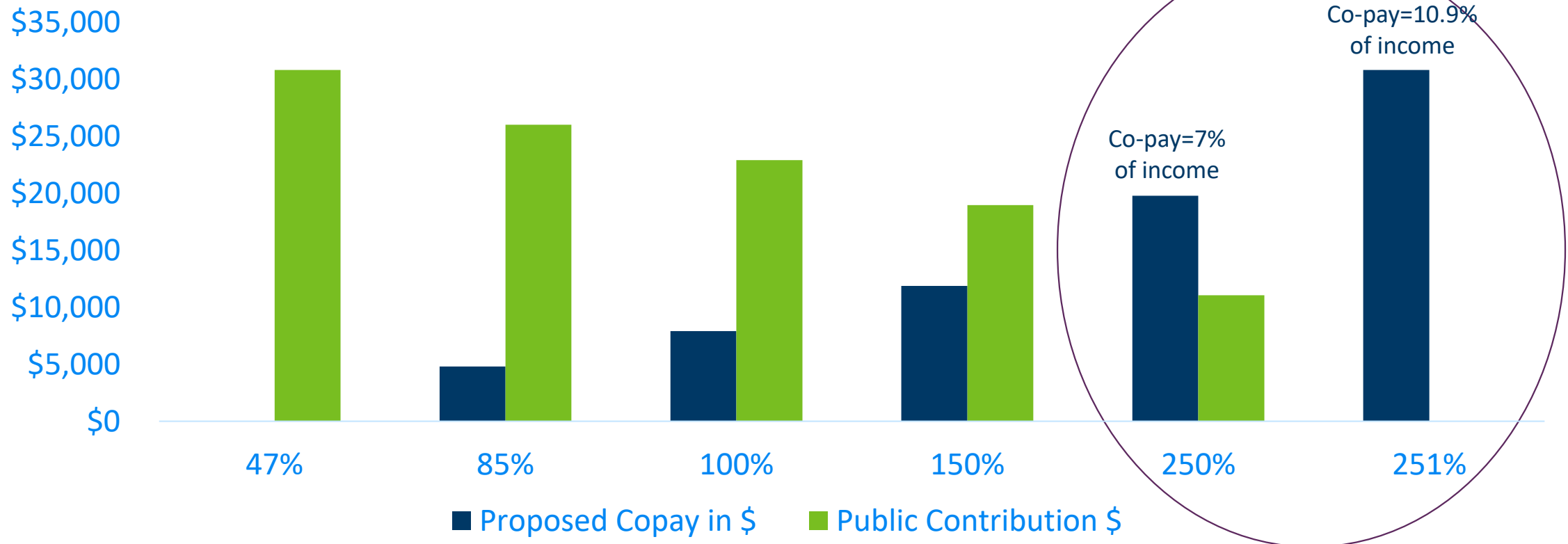
What does a system of 250% SMI eligibility and max 7% co-payments mean to families?

Family of 4 Co-payment Chart with 2 children in care (directional estimate):

% SMI	47%	85%	100%	150%	250%
Income (family of 4 with 2 kids)	\$53,083	\$96,001	\$112,943	\$169,415	\$282,358
Current Copay Rate	5%	11%	N/A	N/A	N/A
Current Copay in \$	\$2,704	\$10,608	N/A	N/A	N/A
Proposed Copay Rate	0%	5%	7%	7%	7%
Proposed Copay in \$	\$0	\$4,800	\$7,906	\$11,859	\$19,765
Public Contribution (based on today's avg costs)	\$30,800	\$26,000	\$22,894	\$18,941	\$11,035

What does a system of 250% SMI eligibility and max 7% co-payments mean to families?

Public Contribution and Family Co-Pay by SMI
Family of 4 with two children in care



We are creating a new “funding cliff” for larger families, albeit at a much higher income bracket than today



What can we do?

1. Leave as is, with an understanding that families at incomes above 250% SMI can afford higher child care payments
2. Set the max copayment at a higher percentage of income (ex: 10%) based on family size / number of children in care (if we want to limit % of income paid toward child care, even for families above 250% SMI)
3. Increase income eligibility to allow co-payment to be fixed at 7% across all income levels (for a family of four with two children in child care, this would be incomes up to \$440K*)

*Based on today's estimated average cost of care of \$15,400 per child.

Affordability Standard

From our establishing legislation: "The plan must include an **affordability standard** that clearly identifies the maximum percentage of income that a family must pay for early care and education. The standard must take into account all relevant factors, including but not limited to:

1. the annual income of the family;
2. the recommended maximum of income spent on child care expenses from the United States Department of Health and Human Services;*
3. the average cost of private child care for children under the age of five; and
4. geographic disparities in child care costs."

Our current Affordability Standard = a gradually increasing percentage of income, from 0% for those at or below 200% of the Federal Poverty Line, up to 7% of income for families up to 250% of State Median Income (where both FPL and SMI differ by count of household members but do not differ by geography within MN).

*This national benchmark is 7% of income. From the Bipartisan Policy Center: "After the bipartisan reauthorization of CCDBG, HHS recommended parental copayments not exceed the benchmark of 7% of a household's income. HHS chose the 7% benchmark to reflect U.S. Census Bureau data that showed the average percent of monthly income spent by all families on child care stayed consistent at about 7% from 1997 to 2011. Because low-income families disproportionately spend more of their income on child care compared to higher income families, HHS recommended the 7% benchmark in order to achieve parity in child care cost burden." Note: From Center for American Progress analysis of the US Census Bureau Survey of Income and Program Participation, 2014 Wave 3: Among higher-income families (400 – 600% FPL, or approximately \$103-154K for a family of three), child care expenditures are about 10% of family income nationally.

What do we need to do to move forward?

Generally, the Task Force likes the direction of dramatically expanding access to support families

But we need to think about:

- Pushing beyond the existing programs/language of existing programs – is this something new entirely?
- Related, the limitations to federal CCAP and implications on our plan – what are the pros and cons of the frameworks of existing benefits programs that we can build from?
- The cost of this and how palatable this is – might we need to prioritize?
- How this promotes a system of quality, not just a system of access – how does provider pay (which we will cover today) impact or address this?

Need to better explain our rationale for our “Affordability Standard”

Program Funding

Types of Questions We Will Explore

(non-exhaustive)

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- How should families access financial assistance in the future system (what are the “benefit mechanisms”)?
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Program Funding

- What changes are needed in provider pay to have a stable, sustainable system for providers of all types?
- How should provider funding be determined and updated?
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- How should the system of provider pay and family benefits be administered to best meet our goals?
- What roles might exist for state agencies, local agencies, community-based organizations, and other entities in the future plan?
- What infrastructure needs exist to set this future system up for success?

Thoughts we've already raised on Program Funding

- What changes are needed in provider pay to have a stable, sustainable system for providers of all types?
 - Simplify the system so that new providers and programs are not intimidated by the complexity
 - Have consistent policies and requirements for billing and payment across administrators
 - Ensure consistency in billing and payment practices across counties
 - Pay up front rather than on a reimbursement basis
- How should provider funding be determined and updated?
 - Understand impact of geographic differences in market rates and if these should be reconsidered given current inflation
 - Set rates on what it actually costs to provide care
- How can we ensure provider pay is equitable across the mixed delivery system?
 - Provide more transparency, in accessible language, as to how CCAP rates are set today, including county differences

Let's step back: What do we mean by “Program Funding”?

- The funding that flows from the state to programs across the mixed delivery system in order to fund them for the services they provide for children and families.
 - In Minnesota, this is primarily through CCAP and Early Learning Scholarships, but also Head Start (provided directly through federal HHS)
- There are two key questions to address:
 - **Is the funding level (how much money flows to providers) appropriate?** If not, what should it be and how do we get there?
 - **Is the funding mechanism (how money flows to providers) appropriate?** If not, what should it be and how do we get there?

Funding Overview

Child Care Assistance Program

- Per child funding
- Provided on a reimbursement basis
- Rates set by the State primarily based on a Market Rate Survey
- Maximum rates determined by legislature
- Rates differ by county
- Primarily Federal and State funds, with some county funds

Early Learning Scholarships

- Per child funding
- Provided on a reimbursement basis
- Scholarship caps set by state
- Rates are state-wide (no regional difference)
- State funds only

Setting Rates: Market Price vs. True Cost

Market Price

- ✓ How much people can afford to pay
- ✓ Often reflective of what a child care program will charge to fill its classrooms
- ✓ Creates inequitable system where providers in certain communities receive lower reimbursement rates, perpetuating lower wages and higher turnover in low-income communities.
- ✓ Centers often subsidize their infant classrooms with rates from preschool classrooms which fill classrooms more easily
- ✓ Average Market Price of child care ranges from \$12K-\$15K/year

True Cost

- ✓ Actual cost of providing care
- ✓ Reflective of ALL costs associated with running a program
- ✓ Ensures reimbursement rates do not replicate the deficiencies of the private market, creating an approach to rate setting that truly allows for equitable access.
- ✓ Centers follow designated rates for infant and preschool classrooms in line with the best quality of care
- ✓ Average True Cost of child care ranges from \$20K-\$30K/year

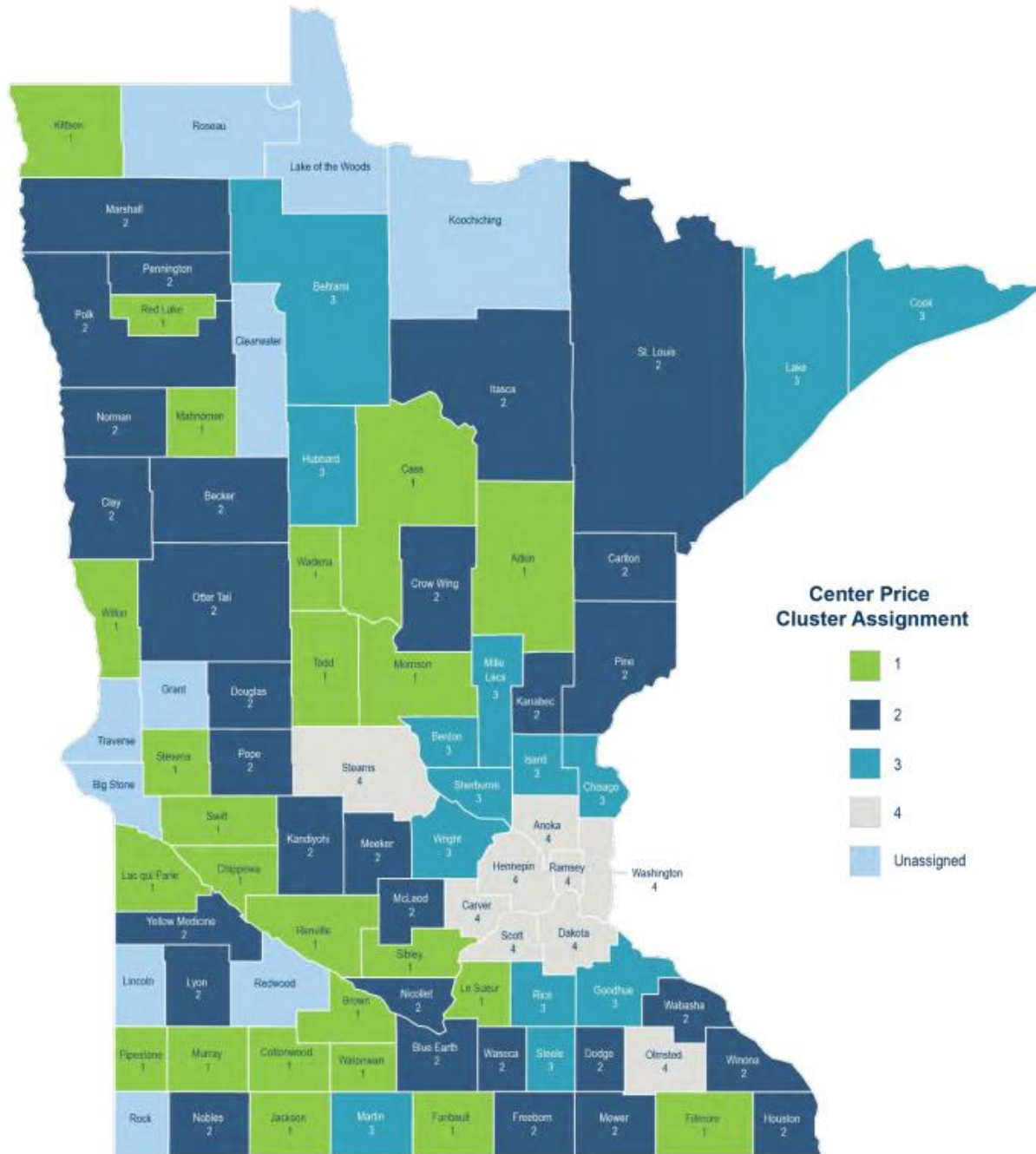
Understanding true cost as compared to market cost helps set rates that allow for more stable, higher quality of care

Current CCAP Rates have been set through market price

- Base payment rates were set at the **25th percentile of 2011 market rates** or left at the existing level (the level that went into effect as of November 2011, following a 2.5 percent rate reduction), whichever was higher, as of **February 2014**.
- The state increased base payment rates to at least the **25th percentile of 2018 market rates** (if not already at or above that level) as of **September 2020**.
- As of **November 15, 2021**, providers are reimbursed at base rates that are the **30th percentile of the most recent market rates for preschool and school-aged children, and the 40th percentile for infants and toddlers**.
 - Programs that are accredited by some organizations, providers who hold certain professional credentials and those with a Three-Star Parent Aware Rating are eligible for 15% Quality Differential Maximum Reimbursement Rates.
 - Providers with a Four-Star Parent Aware Rating are eligible for 20% Quality Differential Maximum Rates
- The **federal recommendation is to set rates at the 75th percentile of the market**. At this percentile, reimbursement rates would be equal to, or exceed, prices charged by providers for 75 percent of child care slots.

If a county has 100 ECE providers, arranged in order from lowest price charged to highest price charged, the provider in the middle of the line would be charging the rate at the 50th percentile of the market for that county.

Figure 1: 2021 price cluster assignments for center-based providers



Current CCAP Rates Centers

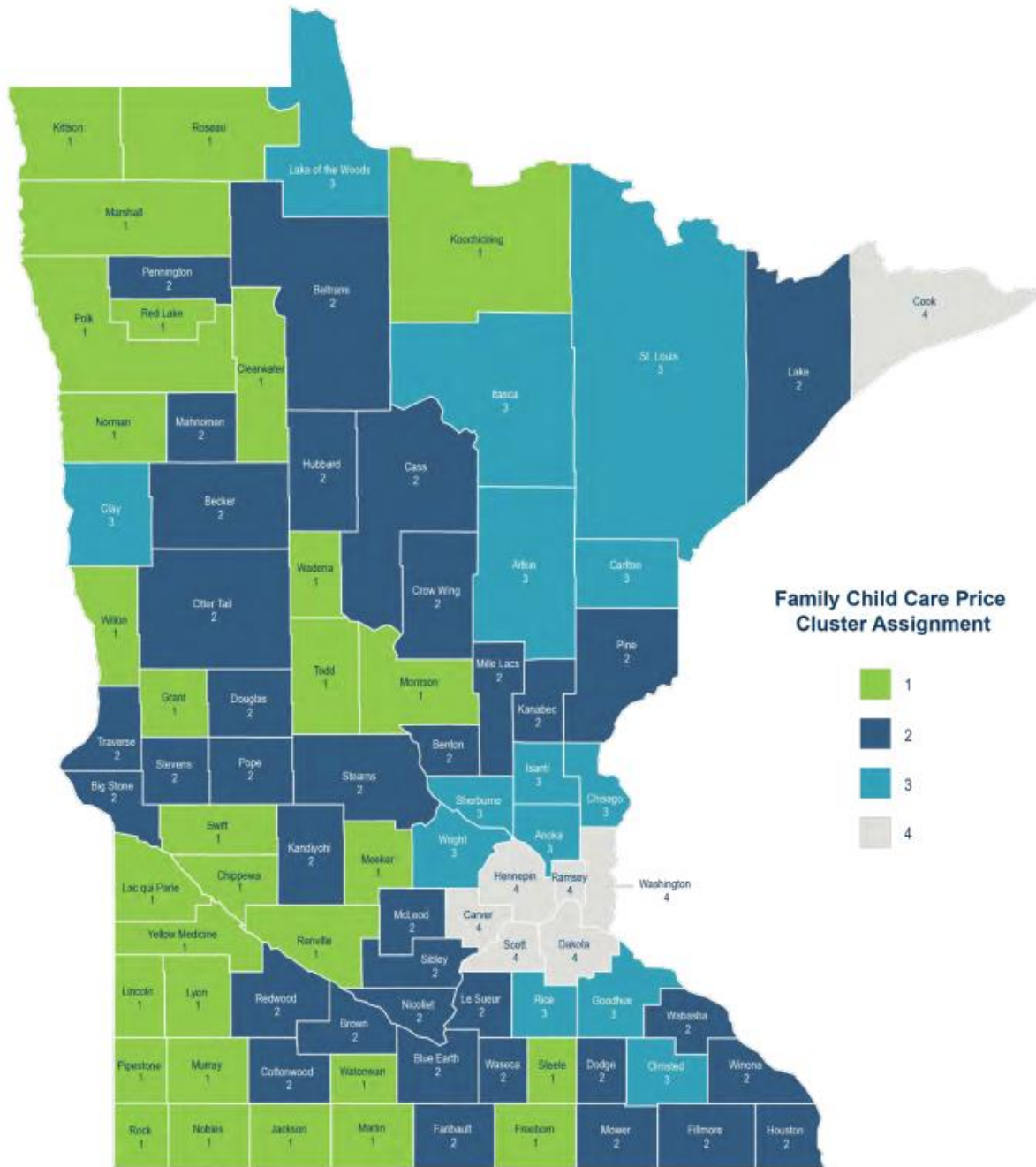
Price clusters: Counties were grouped into price clusters by provider type based on similarities in price distributions among counties.

Current CCAP Rates Centers

Center price cluster*	Age group	Weekly 25th percentile	Weekly 50th percentile	Weekly 75th percentile	Current rates from 1 county in cluster
1	Infant	\$158.00	\$175.00	\$180.00	\$170.00
	Toddler	\$150.00	\$160.00	\$165.00	\$155.00
	Preschool	\$135.00	\$148.00	\$155.00	\$135.00
	School age	\$103.00	\$118.85	\$130.00	\$125.00
2	Infant	\$190.00	\$208.00	\$225.00	\$200.00
	Toddler	\$175.00	\$194.00	\$205.00	\$185.00
	Preschool	\$167.00	\$180.00	\$193.00	\$174.00
	School age	\$145.00	\$160.00	\$175.00	\$150.00
3	Infant	\$215.00	\$235.00	\$294.00	\$222.00
	Toddler	\$197.00	\$210.00	\$265.00	\$207.00
	Preschool	\$185.00	\$198.00	\$250.00	\$188.00
	School age	\$150.00	\$165.00	\$175.00	\$155.00
4	Infant	\$336.00	\$382.00	\$427.00	\$366.00
	Toddler	\$285.00	\$336.92	\$385.00	\$314.00
	Preschool	\$255.00	\$300.00	\$332.00	\$265.00
	School age	\$200.00	\$225.00	\$310.00	\$200.00

*Price clusters: Counties were grouped into price clusters by provider type based on similarities in price distributions among counties.

Figure 2: 2021 price cluster assignments for family child care providers



Current CCAP Rates Family Child Care

Price clusters: Counties were grouped into price clusters by provider type based on similarities in price distributions among counties.

Current CCAP Rates Family Child Care

Family price cluster*	Age group	Weekly 25th percentile	Weekly 50th percentile	Weekly 75th percentile	Current rate from 1 county in cluster
1	Infant	\$120.00	\$125.00	\$140.00	\$125.00
	Toddler	\$120.00	\$125.00	\$135.00	\$125.00
	Preschool	\$112.50	\$125.00	\$130.00	\$115.00
	School age	\$100.00	\$115.00	\$125.00	\$103.35
2	Infant	\$130.00	\$140.00	\$150.00	\$160.00
	Toddler	\$125.00	\$135.00	\$150.00	\$150.00
	Preschool	\$125.00	\$130.00	\$145.00	\$145.00
	School age	\$115.00	\$125.00	\$140.00	\$125.00
3	Infant	\$150.00	\$170.00	\$185.00	\$160.00
	Toddler	\$150.00	\$160.00	\$175.00	\$150.00
	Preschool	\$140.00	\$150.00	\$170.00	\$145.00
	School age	\$125.00	\$140.00	\$150.00	\$125.00
4	Infant	\$180.00	\$200.00	\$225.00	\$195.00
	Toddler	\$175.00	\$190.00	\$215.00	\$185.00
	Preschool	\$165.00	\$180.00	\$200.00	\$170.00
	School age	\$140.00	\$165.00	\$185.00	\$150.00

6/17/2022 *Price clusters: Counties were grouped into price clusters by provider type based on similarities in price distributions among counties. 48

- What's been done:
 - A narrow cost analysis/cost modeling report was published in 2020. The report offered insights into various factors influencing actual costs, and illustrated factors such as provider type, location and wages, and how those differences impact the bottom line for providers.
 - <https://edocs.dhs.state.mn.us/lfservlet/Public/DHS-7180-ENG>
- What's in process:
 - An updated Cost Modeling Report, with work carried out by First Children's Finance. This report is planned for Fall 2024.

Current Early Learning Scholarship Per-Child Funding

- Funding for ELS comes from the state special revenue fund. Current funding allows for about 10,000 scholarships per year.
 - Awards are made as long as funds are available. If a child is determined to be eligible for an early learning scholarship and funds are not available, they will be added to the waitlist.
- Scholarships are paid directly to programs on a reimbursement model
- Scholarships are awarded for a 12-month period, and the current cap is \$8,500 for a Four-Star Parent Aware Rated program
 - For children with priority status: the scholarship cap is \$12,000 for a Four-Star Parent Aware Rated program and \$9,000 for a Three-Star Parent Aware Rated program
 - The goal is to increase the scholarship cap to eventually align with the Child Care Market Rate study at the 75th percentile.

Scholarship amounts are based on the Parent Aware rating level of the program you choose.

Parent Aware Program Rating Level	Scholarship Amount**
Parent Aware Four-Star Rating	Up to \$8,500 per child
Parent Aware Three-Star Rating	Up to \$6,000 per child
Parent Aware One- or Two-Star Rating*	Up to \$5,000 per child
Currently in a Full-Rating Pathway Cohort*	Up to \$4,000 per child

*Starting July 1, 2024, Early Learning Scholarships – Pathway I can only be used at programs with a Three- or Four-Star Rating.

**Starting July 1, 2021, children in a priority status will be eligible for a higher cap. Consult with the Area Administrator once awarded.

Reimbursement Process

Child Care Assistance Program

- Providers submit bills for reimbursement to county or tribal administrators
- County and tribal administrators are required to make payments within 21 days after receipt of the bill when the provider submits a complete bill, and provide notice to both the family and provider of the payment amount and how and when the payment will be made.

Early Learning Scholarships

- Area Administrators distribute funds to programs on a reimbursement basis. From the policy manual:
 - Programs receiving Pathway I scholarship funds are expected to submit an Invoice Form to their Area Administrator within 30 days of the end of the service period. Area Administrators are expected to process invoices and pay programs as soon as possible and within 30 days of receiving the invoice submission.
 - Pathway II child care programs submit invoices for payment to the statewide administrator of child care Pathway II scholarships, Milestones, at a minimum of monthly intervals.
 - School-based and Head Start programs request payment for services delivered to attending Pathway II scholarship recipients through ELSA.

Common Pain Points this working group has identified regarding Program Funding

- Not enough funding in general, and specifically also from:
 - Inability of families to afford co-pays
 - Reduced enrollment & attendance related to the pandemic
- Cash flow challenges from reimbursements-based funding
- Instability and unpredictability in revenues from family mobility
- Complicated and inconsistent billing and payment policies and practices across counties and administrators
- There are current quality differentials for participating in Parent Aware, but about 30% of providers participate in Parent Aware and are eligible to receive those extra funds. What are the barriers to entry for providers to participate?
- ***What else?***

What does a system of abundance (our future family benefits system) look like for programs?

“Fully funding a program at rates that cover the full cost of care and for the true demand in the system. This means between state and federal funding sources, there should be enough money in the system to provide coverage based on eligibility guidelines and established co-pay schedules. With this level of funding, assuming provider capacity exists, there would be no systemic waitlists (though program-specific waitlists may still exist) and all eligible families would have access to benefits.

Ensuring future funding incentivizes and equitably supports providers across the mixed delivery system and across geographies in achieving high quality standards.”

Under this system:

- How should provider pay be determined? What are the costs of quality and how will the state adequately *pay* for “quality”?
- How will the state ensure that funding for increases in compensation will flow through to the appropriate staff? Through what funding or accountability mechanism(s)?
- How will we ensure capture of all federal dollars available?

Based on today's discussion, what short or long-term solutions should we explore in response to our key questions:

- What changes are needed in provider pay to have a stable, sustainable system for providers of all types?
- How should provider funding be determined and updated?
- How can we ensure provider pay is equitable across the mixed delivery system?

Anticipated Timeline



Monthly meetings through September 2022

- TODAY: June 9 | 1:00 - 3:00 PM
- July 14 | 1:00 - 3:00 PM
- August 11 | 1:00 - 3:00 PM
- September 8 | 1:00 - 3:00 PM
- *October TBD*

Next Steps

- Revised family benefits recommendation report to be sent tomorrow to full task force; feedback by Friday, June 17th
- Who can volunteer to present an update for our group at the next taskforce meeting on June 28th?
- Our next meeting will take place on Thursday, July 14th from 1:00-3:00pm
- Share your reflections at GreatStart.TaskForce.MMB@state.mn.us



Appendix

Early Learning Scholarships Eligibility

- To qualify, a family’s income must be equal to or less than 185 percent of the federal poverty level, OR be participating in any of the following programs: free and reduced-price lunch, Child and Adult Care Food Program (CACFP), Child Care Assistance Program (CCAP), Food Distribution on Indian Reservations, Head Start, Minnesota Family Investment Program (MFIP), Supplemental Nutritional Aid Program (SNAP), or Foster Care.
- Age eligibility:
 - Children with priority status: 0-4 years old
 - Other children: 3-4 years old, younger siblings attending the same program

The chart below is based on the poverty guidelines published in the Federal Register on January 13, 2021.

Family Size	Gross Income	Family Size	Gross Income
2	\$32,227	6	\$65,823
3	\$40,626	7	\$74,222
4	\$49,025	8	\$82,621
5	\$57,424	9*	\$91,020

*For family units of more than nine members, add \$8,399 for each additional member.

Family Eligibility for CCAP

Income guidelines:

- **Entry:** 47% of the State Median Income (SMI) for their household size;
- **During 12-month eligibility:** 85% of the SMI;
- **Redetermination:** 67% of the SMI

Household Size	Annual Income Entrance Level	67% Exit Level (at redetermination)	85% Exit Level (during eligibility period)
2	\$36,096	\$51,457	\$65,281
3	\$44,589	\$63,564	\$80,640
4	\$53,083	\$75,671	\$96,001

What would a 7% co-payment cap look like for families?

% FPL	100%	185%	200%	250%	300%	350%	400%
% SMI	24%	45%	49%	61%	67%	85%	97%
Income (family of 3)	\$23,030	\$42,606	\$46,060	\$57,575	\$69,090	\$80,605	\$92,120
Current Copay Rate	3%	5%	6%	12%	13%	11%	-
Current Copay in \$	\$676	\$2,080	\$2,626	\$6,656	\$8,892	\$8,892	-
Proposed Copay Rate	0	0	0	1%	3%	5%	7%
Proposed Copay in \$	\$0	\$0	\$0	\$576	\$2,073	\$4,030	\$6,448