

# Commonwealth of Massachusetts Department of Early Education and Care

## Advisory Council – December Meeting

December 12, 2024

# Agenda

## Welcome, Introductions & Agency Updates

1. Child Care Financial Assistance Family Portal
2. Research Presentations and Discussion: CCFA Rates Impact & Cost of Care
  - **"Promoting Research on Child Care Financial Assistance Payment Rates (PROSPR) Project: Findings from Focus Groups with Child Care Programs"**
    - Dr. Kate Giapponi Schneider, Research Scientist, Institute for Child, Youth, and Family Policy at the Heller School of Social Policy and Management at Brandeis University
  - **"2024–25 Cost Research and Cost Modeling: Phase 1 Findings and Implications"**
    - Dr. Amanda Danks, Principal Investigator and Project Director, American Institutes for Research
    - Dr. Maya Escueta, Cost Model Lead, American Institutes for Research

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# Child Care Financial Assistance Family Portal

# CCFA Overall Modernization

EEC is committed to modernizing its Child Care Financial Assistance Programs and IT Systems for families and providers by:

- Making **incremental improvements** to business processes and technology
- Taking steps to move to a more centralized, statewide, administration of intake and eligibility
- Developing plans to build a new statewide eligibility determination system
- **Reducing administrative burden** – focus on what is easy and what fits into how people already perform their tasks
- **Acting as engaged collaborators** with families and providers as we make and implement changes

# CCFA Tech Modernization Efforts

## Current System

- EEC currently has three CCFA systems(Kinderwait,CCFA, FACTs) that don't talk fully to each other
  - Hard for users to navigate
  - Hard for EEC to get good data
  - Limits use to providers only
  - Does not support families

## Future System

### EEC is taking a broad look at how to make a better user experience


- **Meet people where they are** – recognize that people have different levels of comfort with and access to technology
- **Reduce siloed workflows** – users shouldn't have to think about which system to use, and EEC can gain operational efficiency
- **Supports families and providers** in the tracking of applying for and awaiting funding, determining eligibility and ongoing case management

# Family Portal goals

- Build EEC's first ever family portal and case management system for Child Care Financial Assistance
- Incorporate and consider the family experience
- Provide a seamless digital experience for families applying for the statewide waitlist and financial assistance
- Improve the experience for providers administering and managing child care financial assistance
- Standardize child care financial assistance processes to improve and enhance EEC's efficiency in implementing CCFA policies and procedures

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## ② Research Presentations and Discussion: CCFA Rates Impact & Cost of Care

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# "Promoting Research on Child Care Financial Assistance Payment Rates (PROSPR) Project: Relevant Findings from Focus Groups with Child Care Programs"

# Promoting Research on Subsidy Payment Rates (PROSPR) Project: Relevant Findings from Focus Groups with Child Care Programs

EEC Advisory Council Meeting  
December 12, 2024

# OUTLINE

- **Brief Overview of the PROSPR Project**
- **Relevant Findings from Focus Groups with Child Care Programs**
- **Discussion**

# Overview of the PROSPR Project



# PROSPR (2021-2027)

*PROSPR is a federal research grant awarded to Boston University and Brandeis University in partnership with EEC*

- **Research Question:**

- Do changes in EEC child care financial assistance reimbursement rates and/or family copayments affect families' access to care?

- **Phase I (2021-2023) Findings:**

- Increases in reimbursement rates may influence program participation in the child care financial assistance system more than the new copayment scale
- Non-participating programs may not be aware of the recent reimbursement rate changes
- Programs suggested that EEC should frame EEC child care financial assistance participation as a “business decision”





## Phase II Key Questions

- Whether/how rate changes affect **program participation** in the child care financial assistance system?
- Whether/how rate changes affect **families' utilization** of care?
- Are there differential effects of rates on **equity** in access to subsidized care?



## Phase II: Program Focus Groups

- 12 Focus Groups (May – June 2024)

	Participate in EEC Financial Assistance	Do Not Participate in EEC Financial Assistance
Centers	3	3
FCCs	3	3

- 2 FCC groups conducted in Spanish
- 65 programs represented
  - 27 FCC programs
  - 38 Center-based programs
  - All regions of the state represented
  - Varying years of experience (5 mon. – 39 yrs.)
- Conducted via Zoom
- \$50 incentives were offered

# **Relevant Findings from Focus Groups with Child Care Programs**



**Programs' perspectives on reimbursement rate  
increases and their participation in the child care  
financial assistance system**



# Awareness of Reimbursement Rate Changes

- Most programs (participating and non-participating) heard about the reimbursement rate changes, but not necessarily the degree to which they increased

*“Was it like 5.5% [in 2023]?” (Non-Participating FCC)*



- A few participating programs were not immediately aware of the rate changes

*“The way I found out about the most recent change was I had an extra deposit in my bank account. [...] And I was like, ‘you know what? I don’t have time to figure this out right now. I’ll figure it out later. And then eventually the memo from EEC came through [...]. And so, when I took a look at that, I was like ‘Oh, this is my retro pay. Got it. It makes more sense.’” (Participating Center)*

# Positive Reactions to the Rate Increases

- Many participating programs were **appreciative** of the new higher rates, especially for those whose reimbursement rates are now much closer to their private pay prices

*“Last year’s [reimbursement rate increase], for us, was really helpful. To the point that the finance director for our agency said to me, ‘Is this right?’. You know this is way more than what we’ve experienced” (Participating Center)*

*“For us, [the reimbursement rates] are so much better. You know, which is great. I think for toddler or preschoolers we’re at like [...] 73% or 72% of [...] what our private pays. And with infants and toddlers, it’s in the 90s, which is great.” (Participating Center)*



# How Providers Used the Reimbursement Rate Increases

- While many programs were unable to identify specifically how they used the rate increases, others indicated that they used the increases for **operational expenses**, necessary **program improvements** or **increased staffing**

*“I was able to help with PPE ... as well as minor things whether it was the water boiler or anything to enhance my licensing. It was definitely supportive of that.” (Participating FCC)*

*“We have actually increased our staffing. You know, we initially had [increased our staffing] during COVID for health and safety [...] reasons. And we’ve kept that, which I guess, indirectly, might enable us to be more effective with high needs children.” (Participating Center)*



# Programs' Perspectives on Reimbursement Rate Changes and Child Care Financial Assistance Participation

- Although many programs appreciated the rate increases as “**a step in the right direction**”, many (in particular, non-participating) programs indicated that the rates are still **too low** to start to participate/participate more in the child care financial assistance system

*“We would really need another funding source in order to be able to [...] manage what we would receive in terms of income and what it actually costs to support the child and family. The voucher does not cover [it].” (Non-Participating Center)*

- Many programs indicated that rates would need to be **at or close to their private pay prices** for them to start to participate/participate more in the child care financial assistance system

*“We offer a 10% sibling discount and I feel like we can manage if half the kids were paying 10% [discount via vouchers]. That feels like a very fair, safe number.” (Non-Participating Center)*



# Next Steps and Discussion





# Next Steps

- **Impact Analysis of FY23/FY24 Rate Increases**
  - Use longitudinal data to assess the impact of the rate increases on program participation in the child care financial assistance system
- **Explore Additional Communication Approaches**

# Discussion

- What findings from this research resonate the most with you and why?
  - Do any findings surprise you and if so, how?
  - How might this research inform your work?
- What do you hope that future research can focus on in terms of further understanding the implementation and impact of CCFA reimbursement rate increases?

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# "2024–25 Cost Research and Cost Modeling: Phase 1 Findings and Implications"

# 2024–25 Cost Research and Cost Modeling

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## Phase 1 Findings and Implications

Amanda Danks, Principal Investigator and Project Director | Maya Escueta, Cost Model Lead  
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November/December 2024

# Agenda

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1. Background and Context
2. Overview of 2024–25 Cost Research and Cost Modeling Scope of Work
3. Phase 1 Methodology
4. Phase 1 Findings
5. Phase 1 Recommendations
6. Next Steps (Phase 2) and Discussion

# Background and Context

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# Background

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- 2022–2023
  - Massachusetts Department of Early Education and Care (EEC) worked with a research partner, the Center for Early Learning Funding Equity (CELFE), to analyze tuition rates (often called market rates) charged to families across Massachusetts and develop cost estimation models.
- Fall 2023
  - EEC used findings from both the market rate study and the cost models to inform changes and increases to child care financial assistance rates for different program types, ages served, and geographic regions.
- Early 2024
  - EEC received approval from the federal government to use an alternative cost-based methodology to inform child care financial assistance rates moving forward.
- Spring 2024
  - EEC partnered with AIR to update and refine cost models to inform future changes to child care financial assistance rates and other investments, like C3, to support program stability and sustainability.

# Overview of 2024–25 Cost Research and Cost Modeling Scope of Work

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# Study Goals

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- Update, refine, and expand the state's child care cost models in two phases.
- Continue to focus on both cost of current care and cost of aspirational care including increased compensation.
- Engage external stakeholders including early education and care programs throughout the project.
- Produce and disseminate accessible reports and other deliverables that meet the needs of EEC and broader audiences.



# What Is a Cost Model?

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- Estimates the per-child cost to operate a child care program, by different program types, regions, ages of children served, and other program characteristics.
  - This is not the same as what programs *charge* for care (tuition).
  - This is not the same as a *budget* (a spending plan that does not typically include volunteered/donated resources).
- Represents the most typical classroom and staffing configurations of early education and care programs.
  - Will not represent the unique configurations of *every* program.
- Findings from cost models can be used to inform state-level funding and policy decisions.

# Key Terms

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## Input

- Each individual resource used in the provision of child care, in both the *Cost of Current Care* and *Cost of Aspirational Care* models



## Price

- The dollar amount that represents the value of an input



## Cost

- The price of resources multiplied by the quantity of resources
- Represents the value of all resources in a cost model



## Assumptions

- A simplified belief around what is reasonable about resource quantities, classroom configuration, resources needed, prices, etc.

# Sample Cost Model (Simplified)

Cost Inputs	Child Care Center Costs			Family Child Care Costs		
	Salary	Benefits	PTO	Salary	Benefits	PTO
Personnel Costs						
Center Director	\$	\$	\$	—	—	—
Owner/Operator	—	—	—	\$	\$	\$
Lead Teacher	\$	\$	\$	—	—	—
Assistant Teacher	\$	\$	\$	\$	\$	\$
Program Administrator	\$	\$	\$	—	—	—
Other personnel	\$	\$	\$	\$	\$	\$
Total Personnel Costs	\$			\$		
Materials & Equipment						
Furniture	\$			\$		
Curricula	\$			\$		
Assessments	\$			\$		
Toys & Books	\$					
Other materials & equipment	\$			\$		
Total Materials & Equipment Costs	\$			\$		
Facilities						
Rent	\$			\$		
Utilities	\$			\$		
Insurance	\$			\$		
Other facility costs	\$			\$		
Total Facilities Costs	\$			\$		
Other Program Inputs						
Other	\$			\$		
Total Other Program Costs	\$			\$		
Total Costs	\$			\$		

# Examples of Cost Model Inputs

- Staff compensation
  - Salary and benefits
- Materials and equipment
  - Curricula, assessments, etc.
- Facilities
  - Rent, electricity, etc.
- Enrollment and enrollment as a percentage of licensed capacity
- Services for children with special needs
- Hours of care provided
- Revenue sources and amounts
  - Tuition payments, child care financial assistance (CCFA), and additional funding streams such as C3



# Study Phases

## Phase 1 May 2024–December 2024

- Revisit 2022 cost model assumptions and inputs.
- Engage with stakeholders, including educators.
- Update 2022 cost model prices for every input.
- Estimate per-child costs by region, program type, and age.

## Phase 2 October 2024–June 2025

- Make additional refinements to model assumptions and structure.
- Increase focus on school-aged care estimates.
- Explore cost inputs for informal care settings.
- Explore how comprehensive services can be represented in the models.
- Make additional updates to the cost of aspirational care model.
- Continue to engage with key stakeholders and early education and care programs.

# Phase 1 Methodology

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# Methodology for Cost Model Updates

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- We updated the three cost models developed in 2022:
  - Two center-based models: current cost of care and aspirational cost of care
  - One FCC model: hybrid of current costs and aspirational compensation
- The ingredients approach (Levin et al., 2018) was used to estimate the value of the resources used to provide early education and care across Massachusetts.
- All 2022 model prices were adjusted to 2024 dollars.
- When possible, multiple data sources were triangulated to arrive at the best price estimate.

# Data Sources Used for Phase 1 Cost Model Updates

## C3 Data

- Information about current wages and facility costs

## Input From External Stakeholders

- Program interviews
- Listening sessions
- EEC Advisory Council

## Provider Cost of Quality Calculator (PCQC)

- Prices for materials, food, and equipment; rental and utilities costs

## Other Extant Data Sources (Examples)

- Bureau of Labor Statistics, commercial real estate database, Massachusetts Department of Economic Research

# Main Updates: Prices

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## All prices updated to July 2024 dollars

- Every original data source in the models was reviewed to update prices.
- When data sources did not provide prices in 2024 dollars, prices were adjusted for inflation using the national Consumer Price Index.
- Multiple data sources were reviewed, and in most cases, a conservative approach was selected.
  - “Conservative” in cost modeling refers to using the higher input (quantity or price) to generate an upper bound estimate of cost.
    - » The goal is to avoid *underestimating* costs.

# Changes in Assumptions: Facilities Pricing

- Triangulated information on rental prices for child care centers from multiple data sources.
- Adjusted approach for assigning regional rental prices: Shifted from using the least expensive region as the base to using the most expensive region as the base.
  - These shifts are more in line with what other data sources on rental prices showed.

	Western	Central	Northeast	Metro	Southeast	Metro Boston
Regionalization Factor	100%	107%	131%	134%	119%	141%
2022 cost model assumption: price per sq ft	\$17.00	\$18.19	\$22.27	\$22.78	\$20.23	\$23.97
Previous method with 2024 prices: Price per sq ft	\$29.00	\$31.03	\$37.99	\$38.86	\$34.51	\$40.89
Our adjusted method with 2024 prices: Price per sq ft	\$20.57	\$22.01	\$26.94	\$27.56	\$24.48	\$29.00

Previous approach:  
71% increase



Our approach:  
21% increase



# Other Changes in Assumptions

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- **Staff paid time off:**
  - Increased staffing levels to reflect some paid time off for all center-based classroom staff.
- **Program reserves:**
  - Included a higher margin (or % reserves) in the aspirational model for center-based programs, which reflects the average margin of child care businesses over time from an industry-level report on child care providers.

# Phase 1 Findings

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Summaries by Region and Age

## Notable Cost Increases From 2022 to 2024

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- The cost of care per child for center-based programs increased between **14%** and **26%** between 2022 and 2024, depending on the region and age group served.
- The cost of care per child for family child care (FCC) programs increased between **12%** and **19%** between 2022 and 2024, depending on the region and age group served.
- The percent change in per child costs from 2022 to 2024 did not vary significantly across regions.

# Drivers of Cost Increases From 2022 to 2024

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For centers, these increases came from notable changes in prices from 2022 to 2024, particularly in wages, facilities, and food.

- Wages increased by 7%–9%, depending on the region.
- Food prices increased by nearly \$1,000 per child annually from 2022 to 2024: \$3.83 per child per day.
- Facilities costs increased between 28% and 29%, depending on the region.

For FCC providers, increases in costs were a combined result of increases in wages, prices for facilities, food, and materials and equipment.

# 2024 Per-Child Daily Costs and Percentage Increase From 2022 for Centers, by Age and Region

Larger percentage increases in preschool and school-aged children come from large increases in per-child costs, such as food.

Region	Infant	Toddler	Preschool	School-Age (Full Day)	School-Age (Before & After)
Western	\$134 (+16%)	\$105 (+17%)	\$57 (+22%)	\$44 (+21%)	\$39 (+26%)
Central	\$137 (+16%)	\$107 (+16%)	\$58 (+21%)	\$45 (+20%)	\$40 (+25%)
Northeast	\$147 (+17%)	\$114 (+17%)	\$61 (+20%)	\$47 (+23%)	\$41 (+25%)
Metro	\$154 (+15%)	\$120 (+15%)	\$64 (+19%)	\$49 (+18%)	\$43 (+23%)
Southeast	\$140 (+17%)	\$110 (+18%)	\$59 (+21%)	\$45 (+20%)	\$39 (+21%)
Metro Boston	\$156 (+14%)	\$122 (+15%)	\$65 (+19%)	\$49 (+20%)	\$43 (+24%)

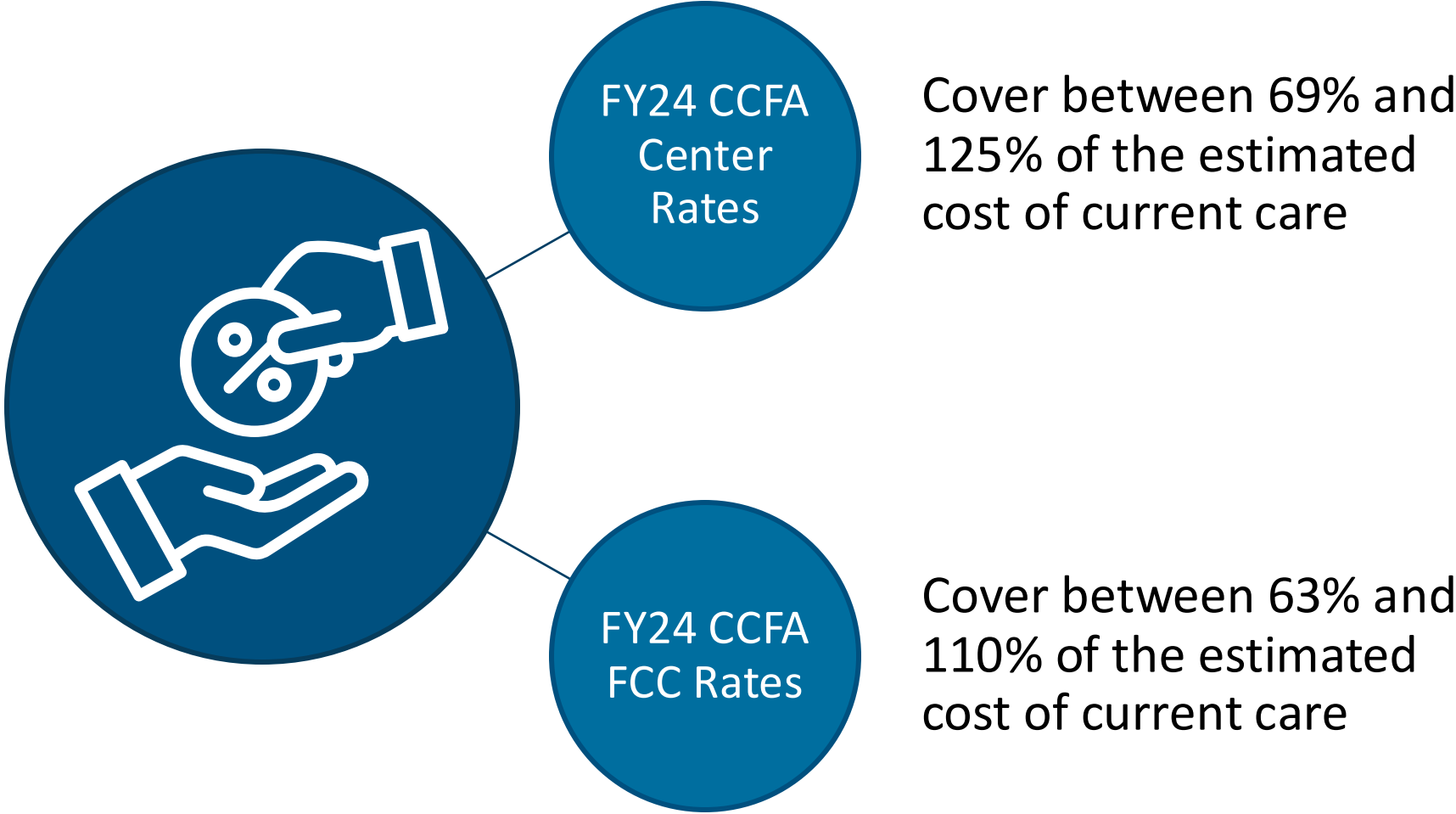
Note. The daily per-child rate and the percentage increase from the 2022 model are displayed in each cell.

# 2024 Per-Child Daily Costs and Percentage Increase From 2022 for FCCs, by Age and Region

Region	Under 2	Over 2	School-Age (Full Day)	School-Age (Before & After)
Western	\$67 (+14%)	\$67 (+14%)	\$67 (+18%)	\$40 (+18%)
Central	\$68 (+12%)	\$68 (+12%)	\$68 (+15%)	\$41 (+15%)
Northeast	\$74 (+13%)	\$74 (+13%)	\$73 (+16%)	\$44 (+17%)
Metro	\$80 (+14%)	\$80 (+14%)	\$79 (+17%)	\$47 (+17%)
Southeast	\$69 (+13%)	\$69 (+13%)	\$69 (+17%)	\$41 (+17%)
Metro Boston	\$84 (+16%)	\$84 (+16%)	\$83 (+19%)	\$50 (+19%)

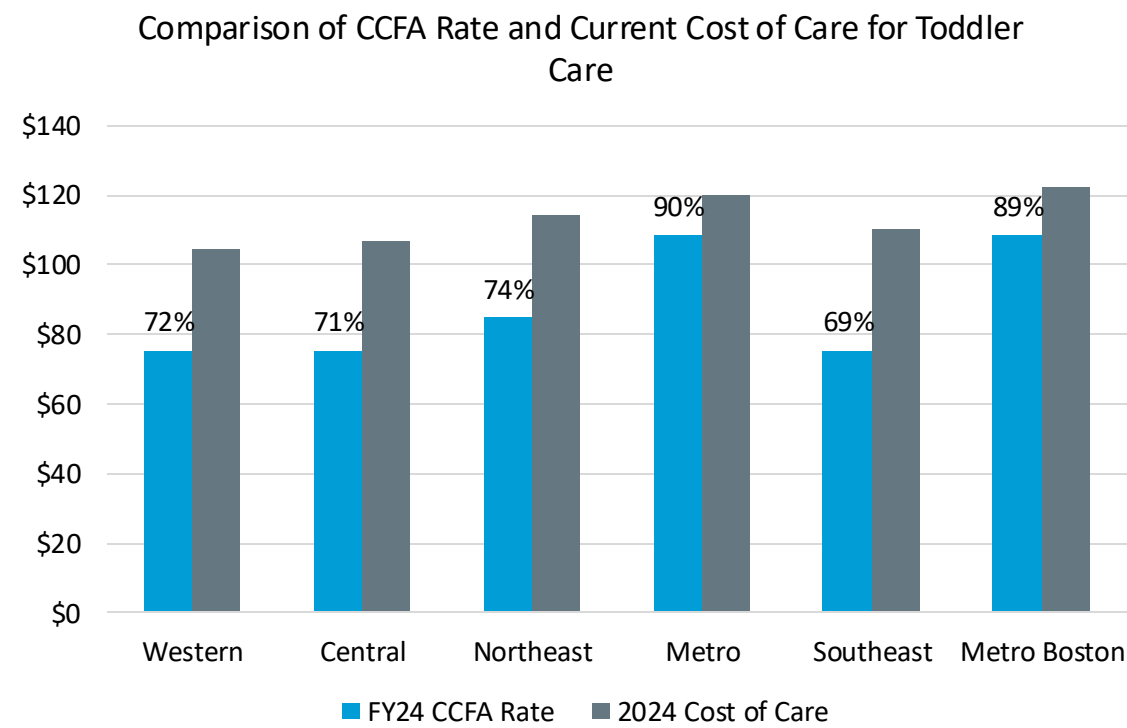
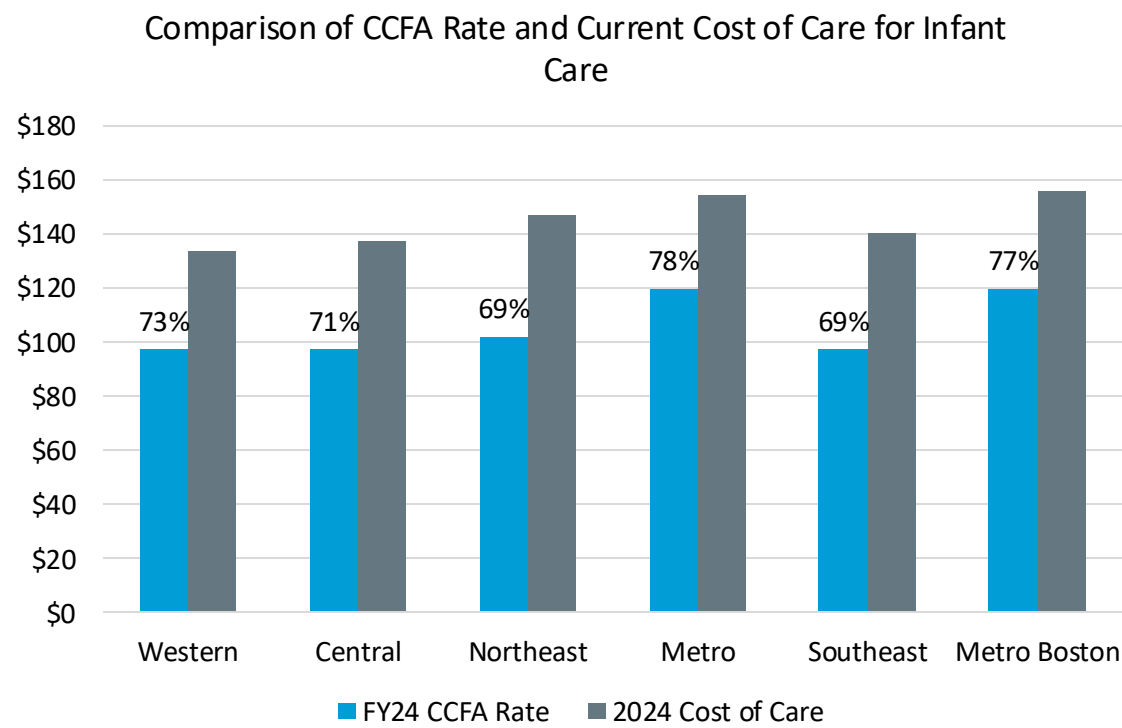
*Note.* The daily per-child rate and the percentage increase from the 2022 model are displayed in each cell.

# FY24 CCFA Rates Compared to 2024 Estimated Cost of Care



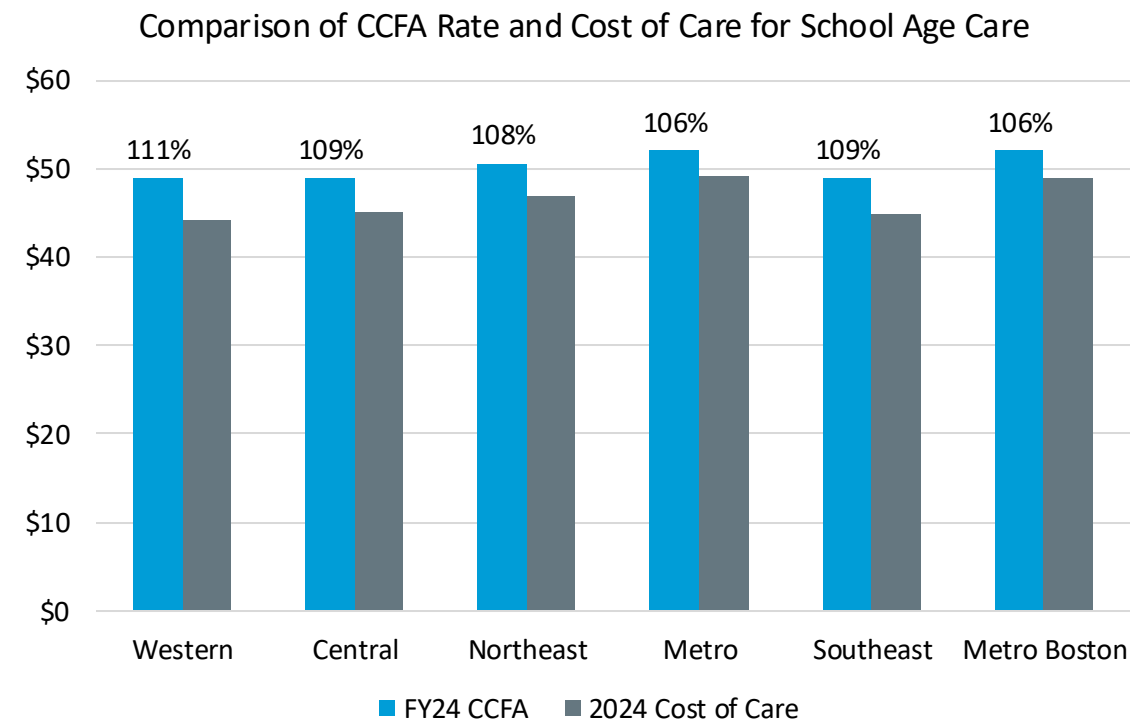
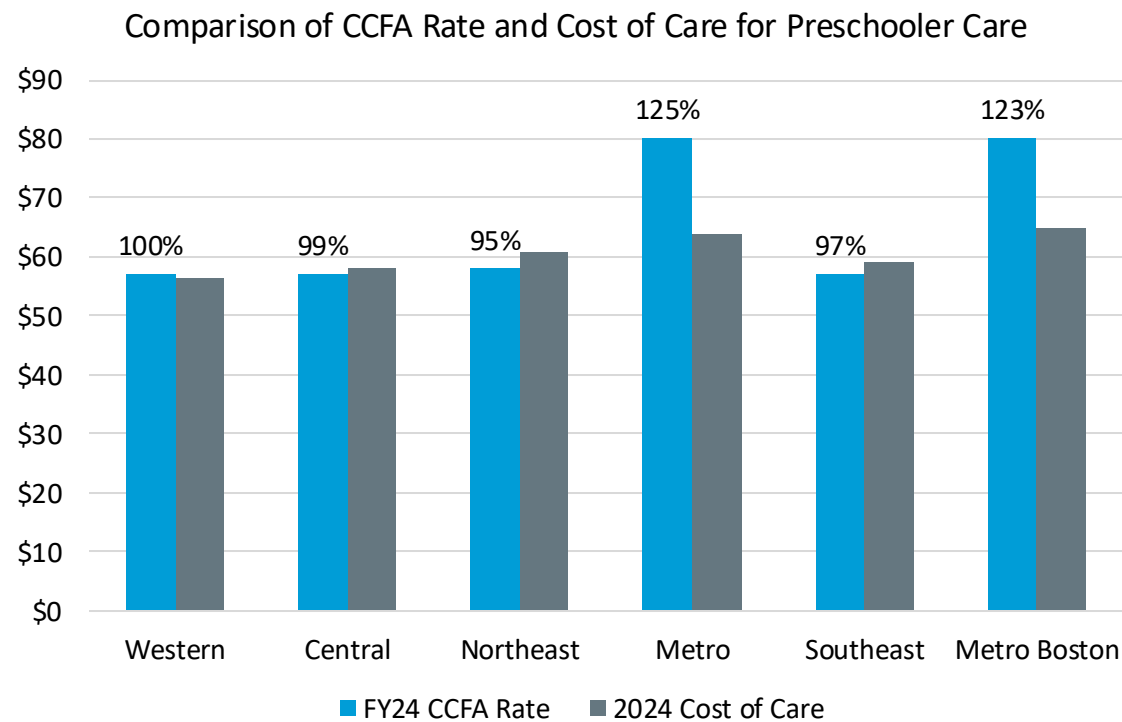
# FY24 CCFA Rates Compared to 2024 Estimated Cost of Care for Centers: Infants and Toddlers

The biggest gaps between FY24 CCFA rates and 2024 estimated cost of care are in the infant and toddler age groups in centers.



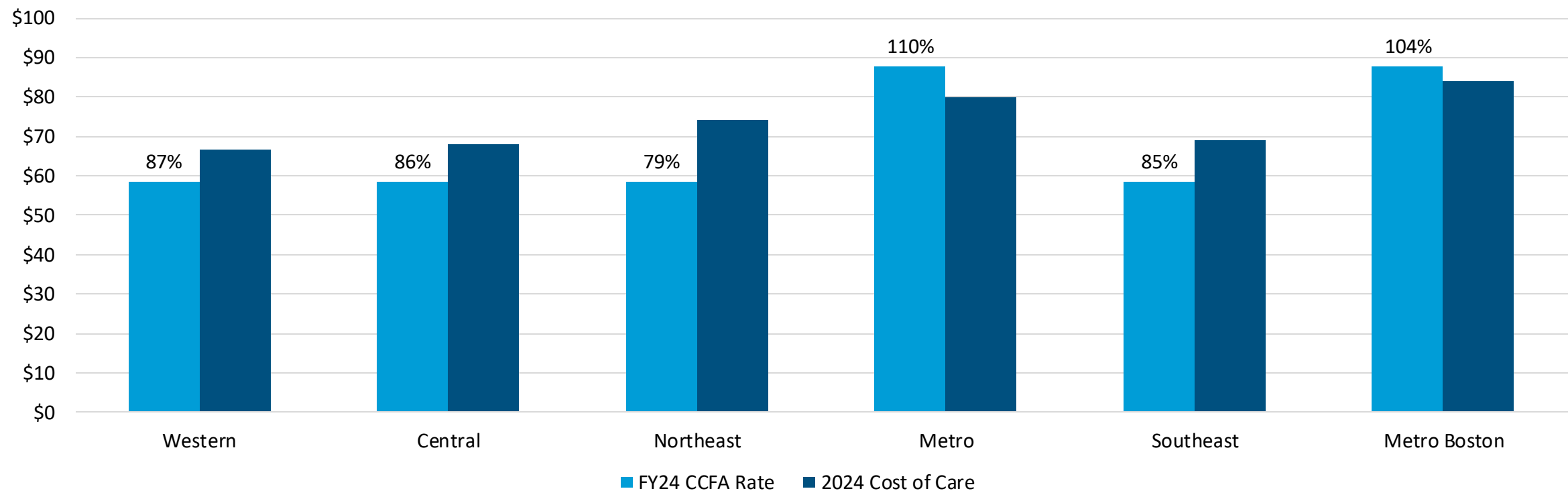
# FY24 CCFA Rates Compared to 2024 Estimated Cost of Care for Centers: Preschoolers and School-Aged Children

The FY24 CCFA rates fully cover the 2024 estimated cost of current care for **preschoolers** and **school-aged children** in some regions. We know that many programs use revenue from serving older children to help cover infant and toddler care costs and smooth tuition rates for families.



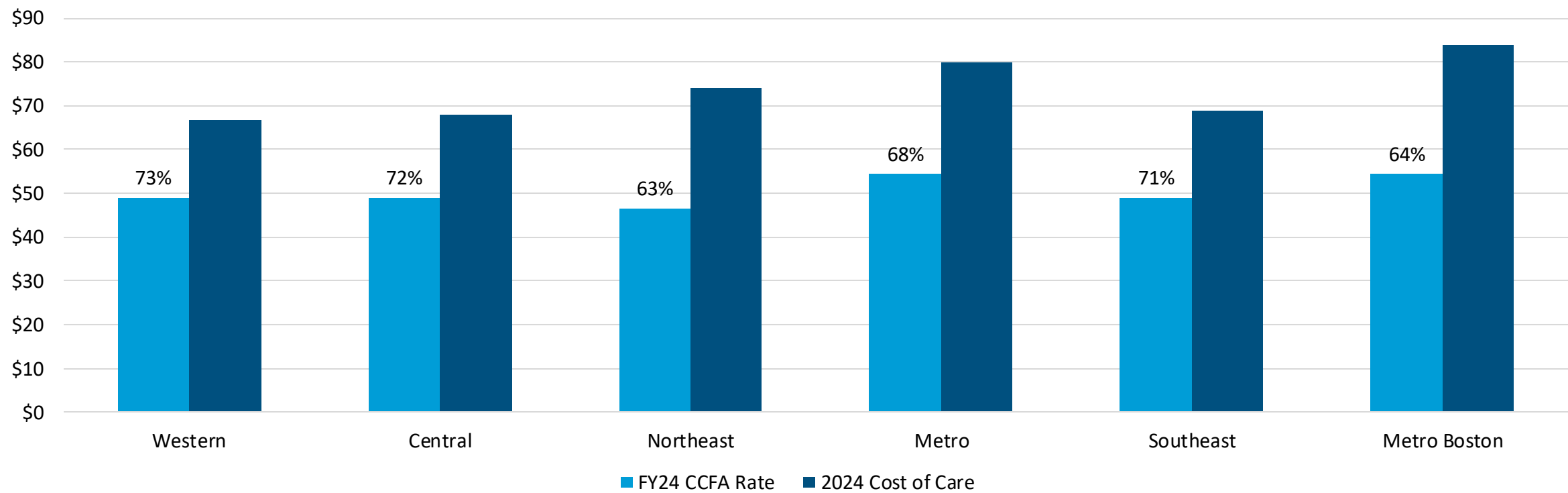
# FY24 CCFA Rates Compared to 2024 Estimated Cost of Care for FCCs: Children Under 2 Years Old

FY24 CCFA FCC rates only fully cover the estimated cost of care for children under age 2 in the Metro and Metro Boston regions.



# FY24 CCFA Rates Compared to 2024 Estimated Cost of Care for FCCs: Children Over 2 Years Old

In all regions, the FY24 CCFA rate for children over age 2 covers less than 75% of the estimated cost of care.



# Phase 1 Recommendations

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# Recommendations for Using Updated Cost Models to Inform Future Rate Increases

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- Use information from the 2024 cost models to target funds to the regions, settings, and age groups for which the gaps between the estimated cost of care and the FY24 CCFA rates are the largest.
  - Center-based infant and toddler and FCC over age 2 CCFA rates remain the furthest from the cost of care.
- Consider tuition rates as an additional benchmark for targeted CCFA rate increases.
- Initial analysis suggests that the regional alignment of certain CCFA rates in FY24 is consistent with the updated cost of care results.
- Explore the statistical differences between the per-child cost across regions to inform decisions around the rate structure.

# Next Steps and Discussion

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Phase 2 Cost Model Updates and Expansion

## Phase 2 Cost Model Updates and Expansion

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- Continue to refine cost models
  - Refine the aspirational care model, including aligning roles and wage inputs with ongoing work to develop credentialing system and salary scale.
  - Review and refine existing staffing assumptions.
  - Further refine school-age care inputs and assumptions.
- Expand cost models
  - Further analyze costs based on additional variation in provider size, staffing structures, and ages served.
  - Explore transportation costs and cost inputs for informal care.
  - Consider demographics and additional needs of families served.

## Discussion

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- What did you hear today that resonated the most and why?
- Did any of the findings surprise you and if so, how?
- What would you like EEC to prioritize during the next phase of the cost modeling work (in 2025) and beyond?
- Are there any additional takeaways or next steps that you'd like the EEC/AIR team to consider that have not yet come up?