



# Massachusetts 2022 Market Rate Survey and Preliminary Cost Analysis

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Department of Early Education and Care Board Meeting Presentation  
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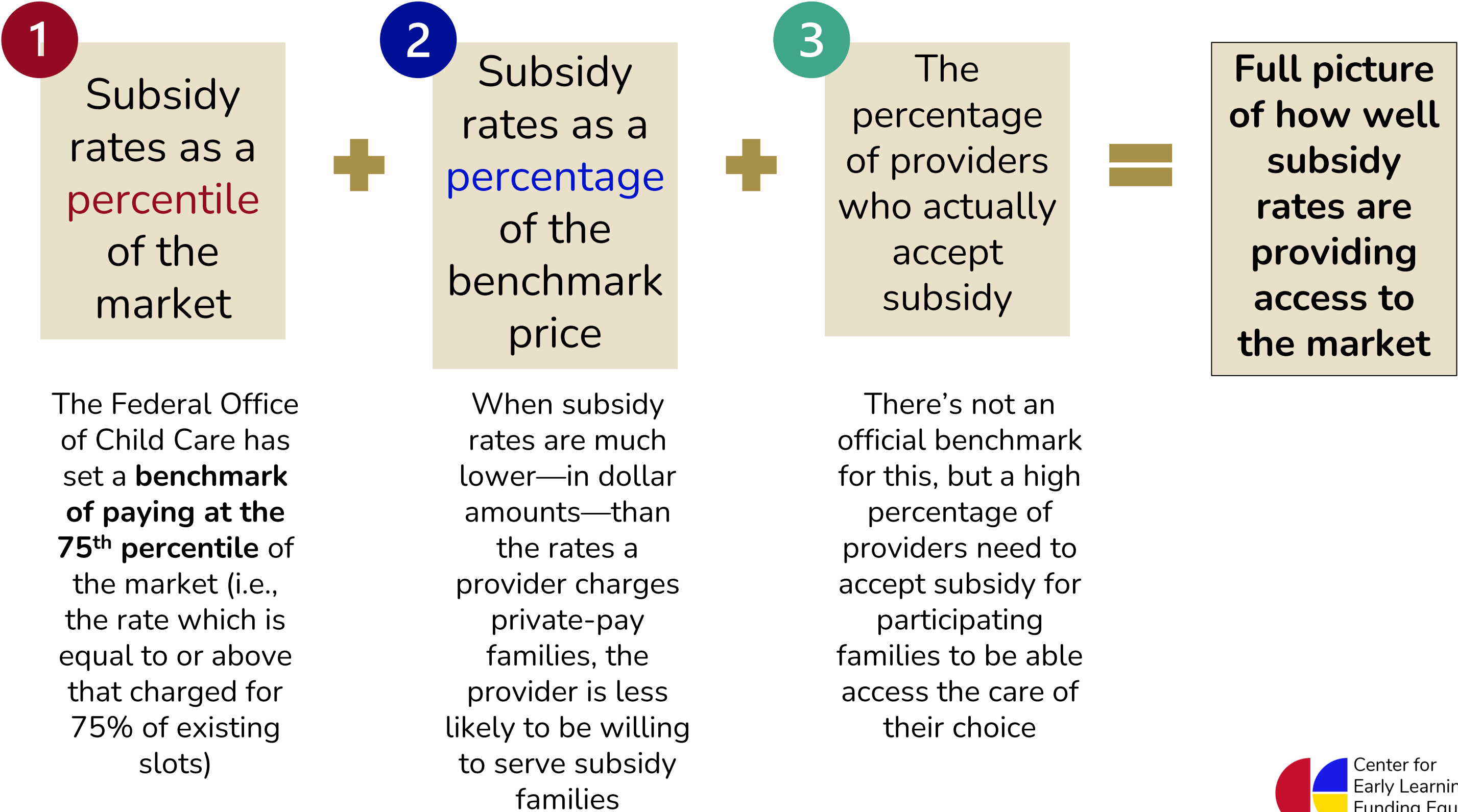
# Market Rate Survey and Preliminary Cost Analysis Overview

- Federal requirements
- Purpose of studies
- Prices vs Costs



Federal regulations require subsidy rates to be set in a way that gives families access to most of the child care market

There are three important metrics for evaluating access:

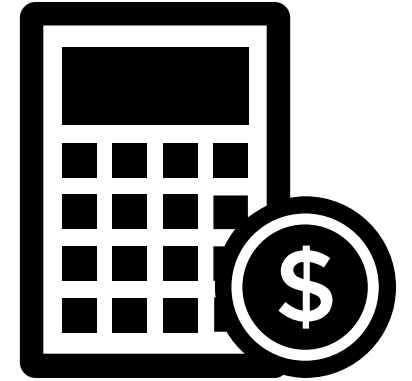




Historically, the federal Administration for Children and Families (ACF) has guided states to focus on comparing subsidy rates to market **prices**.

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*Goal:* 75th percentile of market rates





Now, federal regulations also require states to look at the **cost** of providing services.

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*Goal:* Meeting the “true cost of care” for high-quality services

Prices and Costs are two primary sets of information needed to set subsidy rates and overall funding policy for child care

	Prices 	Costs 	
Tool used	Market Rate Survey	Preliminary Cost Analysis	“True Cost of Care” Analysis
What it answers	How much are providers <b>charging private-pay families</b> for care?	How much does it cost providers to operate their programs while <b>meeting EEC licensing requirements?</b>	How much does it cost providers to operate their programs with <b>high quality and adequate compensation?</b>
Why we use it	To understand the extent to which subsidy rates allow parents to <b>access the full market</b> of available care	To understand the extent to which subsidy rates and market rates allow providers to <b>cover the current cost</b> of care	To understand the funding that will be needed to <b>sustainably implement high quality</b> services



**Prices** and **Costs** are two primary sets of information needed to set subsidy rates and overall funding policy for child care

	Today's report			Future work
	Prices 	Costs 		
Tool used	Market Rate Survey	Preliminary Cost Analysis	"True Cost of Care" Analysis	
What it answers	How much are providers <b>charging private-pay families</b> for care?	How much does it cost providers to operate their programs while <b>meeting EEC licensing requirements?</b>	How much does it cost providers to operate their programs with <b>high quality and adequate compensation?</b>	
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# Prices and costs together give an understanding of how well the child care market is functioning



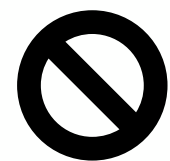
How we know whether the market is functioning well

The child care market is functioning well when:

Providers are able to charge private-pay families sufficient fees to cover their full costs

Rate setting implication

Subsidy rates should focus on ensuring families have access to the largest proportion of the market possible



The child care market is NOT functioning well when:

Providers are NOT able to charge parents high enough fees to cover the cost of providing high quality services

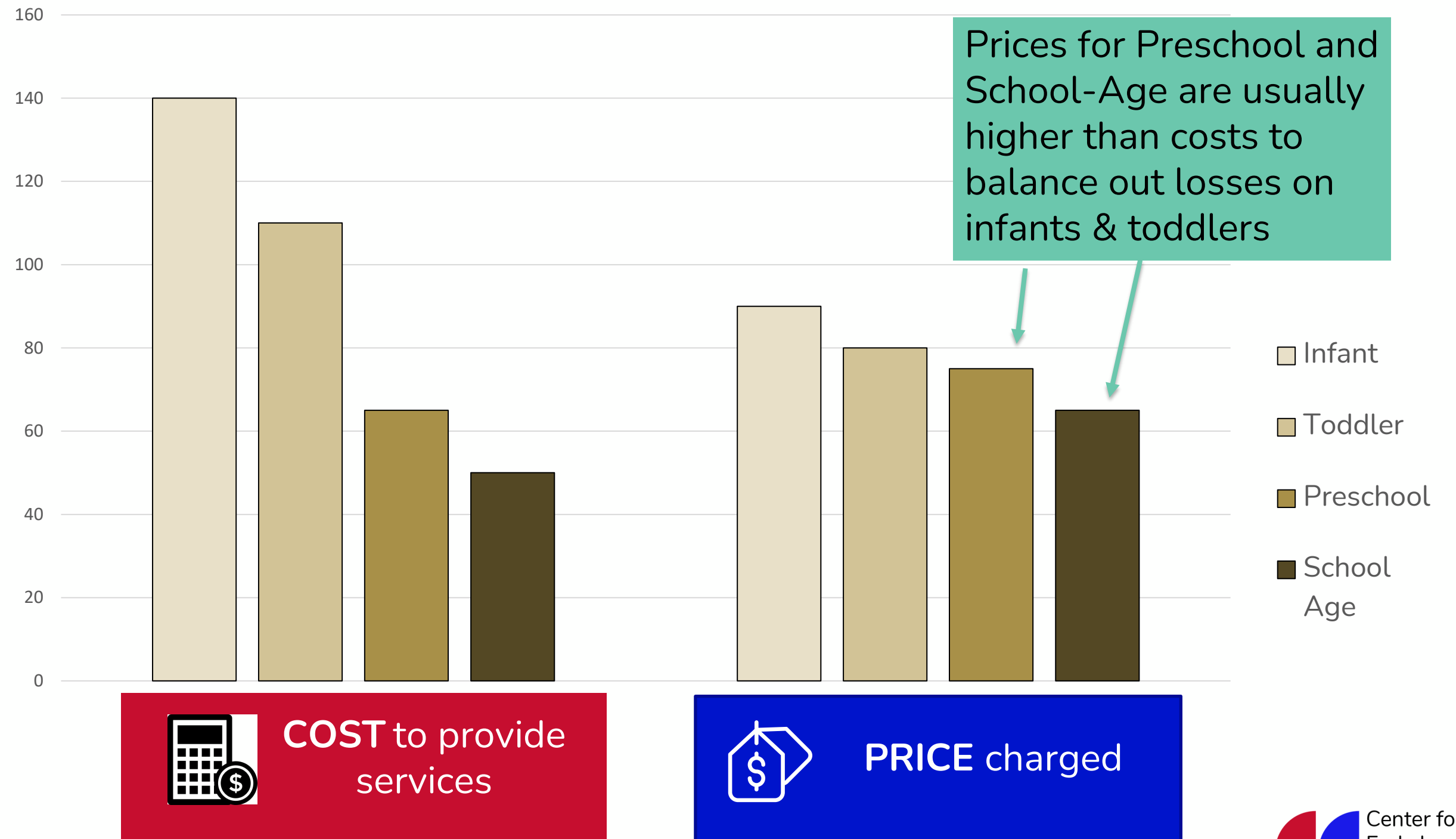
Setting subsidy rates to match market rates will not be enough to support the viability of the child care market



# Keep in mind: The market “smooths” prices across age groups

Even in a well-functioning market, the relationship between prices and costs will not be the same across all age groups. The private market typically “smooths” prices across the age ranges, such that the **price for infant care is typically lower than the cost, while the price for preschool and school age care is higher than the cost.** Across a full program budget, these costs and revenues balance out.

## Hypothetical Center’s Costs and Prices



Historically, Massachusetts' child care reimbursement rates have fallen below the federal benchmark of 75<sup>th</sup> percentile of market rates

2008

3% of reimbursement rates studied were above the 50<sup>th</sup> percentile of market rates

2015

7% of reimbursement rates studied were above the 50<sup>th</sup> percentile of market rates

2018

26% of reimbursement rates studied were above the 50<sup>th</sup> percentile of market rates

***Note: Each Market Rate Survey used a different methodology, and yielded different response rates, so results are not fully comparable across studies.***



## Market Rate Study



The **Licensing Education Analytic Database (LEAD)** was used as the data source for this year's MRS, rather than a dedicated survey. Providers were required to update their rates and hours in LEAD when applying for C3 Grants and were reminded to update rates prior to this data study.

This administrative data resulted in a **more robust and representative sample** with fewer biases in the analysis

*Limitation:* Not all providers had usable rate data in the database

- Approximately one-third of providers had last updated their rates before June 21, 2021; these were dropped from sample
- Eliminating extreme outliers (likely data entry errors) further reduced sample by approximately 5%



# MRS Methodology Overview



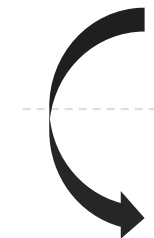
## Data Collection

April 2022

Providers asked to verify and update rates and hours in LEAD

July 2022

7,330 providers included in dataset sent to CELFE for analysis



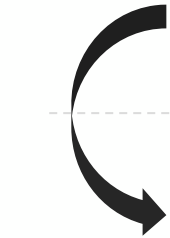
## Data Cleaning

CELFE cleans and removes duplicates and outdated data

Rates converted to “daily rate” and outliers whose rates were under \$20/day and greater than \$200/day were removed from sample



**4,237 providers included in final sample dataset**



## Data Analysis

Provider capacity used as weight to calculate total number of “slots” per region and age-group

All results statistically significant with a 95% confidence interval and 5% or lower margin of error

# The final MRS administrative dataset resulted in a robust and representative sample



Table: Sample targets for total provider universe (FCC & Group and School Age)

Region	Provider Universe	Target Sample (95% CL, +/- 5.0 margin of error)	Providers Included in Final Dataset	Percent of Universe	Percent of Target Sample Achieved
Region 1- Western	983	277	547	55%	197%
Region 2- Central	1,088	284	628	58%	221%
Region 3- Northeast	1,538	308	808	53%	262%
Region 4- Metro	1,884	320	1,096	58%	343%
Region 5- Southeast	1,131	287	677	60%	236%
Region 6- Metro Boston	912	271	521	57%	192%



# Summary of 2022 MRS Results

1

## Rates as a **percentile** of the Market Rate

The current subsidy rates are **below the 75<sup>th</sup> percentile** in all regions, age groups, and provider types in the **Commonwealth**, and below the 50<sup>th</sup> percentile in most cases.

2

## Rates as a **percentage** of the benchmark rate

**Subsidy rates are on average 23% lower than the benchmark rate**, with a range across rates of 6% -45% lower than the benchmark rate.

*Example:* Preschool rate in the Metro region is \$36.23/day less (36% less) than the 75<sup>th</sup> percentile rate (\$99.45/day)

3

## Percentage of providers that accept subsidy

Approximately **60% of providers** in the sample report that they accept child care subsidies



# Group and School Age Provider Market Rate Percentiles: Infant and Toddler

Region	Current Infant EEC Subsidy	EEC Infant Subsidy Percentile	Infant 25 <sup>th</sup> Percentile	Infant 50 <sup>th</sup> Percentile	Infant 75 <sup>th</sup> Percentile	Current Toddler EEC Subsidy	EEC Toddler Subsidy Percentile	Toddler 25 <sup>th</sup> Percentile	Toddler 50 <sup>th</sup> Percentile	Toddler 75 <sup>th</sup> Percentile
Region 1- Western	\$65.71	43	\$65.00	\$66.00	\$74.00	\$60.26	50	\$57.94	\$60.26	\$65.00
Region 2- Central	\$67.51	21	\$69.00	\$78.06	\$85.13	\$61.65	26	\$61.40	\$70.00	\$79.34
Region 3- Northeast	\$79.40	23	\$80.00	\$92.31	\$104.00	\$69.05	18	\$71.12	\$81.70	\$97.00
Region 4- Metro	\$90.41	18	\$97.60	\$111.00	\$129.56	\$82.08	17	\$89.00	\$104.00	\$117.00
Region 5- Southeast	\$65.71	24	\$66.00	\$70.40	\$84.20	\$61.65	30	\$61.00	\$64.00	\$77.50
Region 6- Metro Boston	\$85.68	13	\$95.50	\$118.00	\$146.42	\$79.86	22	\$82.00	\$98.61	\$135.33

Current GSA infant subsidy rates cover less than 50% of the market rate slots in all regions

The **red** subsidy percentiles represent the EEC subsidy rate falling below the 50<sup>th</sup> percentile of the market

The **green** subsidy percentiles represent the EEC subsidy rate falling above the 50<sup>th</sup> percentile of the market

# Group and School Age Provider Market Rate Percentiles: Preschool and School -Age

Region	Current Preschool EEC Subsidy	EEC Preschool Subsidy Percentile	Preschool 25 <sup>th</sup> Percentile	Preschool 50 <sup>th</sup> Percentile	Preschool 75 <sup>th</sup> Percentile	Current School Age EEC Subsidy	EEC School Age Subsidy Percentile	School Age 25 <sup>th</sup> Percentile	School Age 50 <sup>th</sup> Percentile	School Age 75 <sup>th</sup> Percentile
Region 1- Western	\$45.82	46	\$44.00	\$46.05	\$54.00	\$42.13	60	\$30.00	\$40.51	\$45.00
Region 2- Central	\$48.81	28	\$48.00	\$57.00	\$64.00	\$42.14	51	\$36.50	\$42.00	\$51.00
Region 3- Northeast	\$49.91	25	\$49.91	\$62.00	\$73.90	\$43.57	59	\$42.00	\$43.00	\$49.00
Region 4- Metro	\$63.22	19	\$67.80	\$84.00	\$99.45	\$44.79	65	\$29.00	\$35.00	\$59.00
Region 5- Southeast	\$47.03	34	\$46.00	\$54.00	\$62.50	\$42.14	58	\$40.00	\$42.00	\$48.00
Region 6- Metro Boston	\$50.37	16	\$60.00	\$70.00	\$88.00	\$44.79	50	\$42.03	\$44.79	\$57.50

The **red** subsidy percentiles represent the EEC subsidy rate falling *below* the 50<sup>th</sup> percentile of the market

The **green** subsidy percentiles represent the EEC subsidy rate falling *above* the 50<sup>th</sup> percentile of the market

Current GSA school age subsidy rates cover more than 50% of the market rate slots in all regions

# Family Child Care Provider Market Rate Percentiles: Infant and Toddler

Region	Current EEC Subsidy (Under Age 2)	Infant EEC Subsidy Percentile	Infant 25 <sup>th</sup> Percentile	Infant 50 <sup>th</sup> Percentile	Infant 75 <sup>th</sup> Percentile	Toddler EEC Subsidy Percentile	Toddler 25 <sup>th</sup> Percentile	Toddler 50 <sup>th</sup> Percentile	Toddler 75 <sup>th</sup> Percentile
Region 1- Western	\$42.79	32	\$42.30	\$45.00	\$50.00	55	\$37.42	\$40.60	\$48.00
Region 2- Central	\$48.90	25	\$48.90	\$50.00	\$60.00	48	\$40.00	\$49.52	\$55.00
Region 3- Northeast	\$48.90	42	\$47.94	\$50.00	\$58.00	57	\$38.69	\$46.00	\$55.00
Region 4- Metro	\$73.34	49	\$60.00	\$73.95	\$85.00	61	\$50.00	\$68.00	\$80.00
Region 5- Southeast	\$48.90	22	\$50.00	\$55.00	\$56.00	36	\$45.00	\$50.00	\$60.00
Region 6- Metro Boston	\$55.00	28	\$55.00	\$64.00	\$80.00	49	\$45.00	\$56.00	\$70.00

Most FCC infant subsidy rates fall between the 25th and 50th percentiles of the market rates

The **red** subsidy percentiles represent the EEC subsidy rate falling *below* the 50<sup>th</sup> percentile of the market

The **green** subsidy percentiles represent the EEC subsidy rate falling *above* the 50<sup>th</sup> percentile of the market



# Family Child Care Provider Market Rate Percentiles: Preschool and School -Age

Region	Current EEC Subsidy (2 and over)	Preschool EEC Subsidy Percentile	Preschool 25 <sup>th</sup> Percentile	Preschool 50 <sup>th</sup> Percentile	Preschool 75 <sup>th</sup> Percentile	School Age EEC Subsidy Percentile	School Age 25 <sup>th</sup> Percentile	School Age 50 <sup>th</sup> Percentile	School Age 75 <sup>th</sup> Percentile
Region 1- Western	\$36.89	27	\$36.89	\$40.00	\$45.00	29	\$36.00	\$40.00	\$45.00
Region 2- Central	\$38.83	19	\$40.00	\$47.00	\$55.00	28	\$38.16	\$45.00	\$50.00
Region 3- Northeast	\$38.90	39	\$37.20	\$40.00	\$55.00	31	\$37.39	\$42.75	\$54.00
Region 4- Metro	\$44.38	16	\$50.00	\$64.00	\$76.00	17	\$50.00	\$60.00	\$74.50
Region 5- Southeast	\$38.83	7	\$43.00	\$50.00	\$60.00	11	\$40.00	\$50.00	\$58.75
Region 6- Metro Boston	\$39.94	17	\$40.00	\$50.00	\$60.00	17	\$40.00	\$50.00	\$60.00

The current FCC subsidy rate for preschool in Region 5 is substantially lower than the market rate.

The existing FCC school age subsidy rate would cover fewer than 20% of the market rate slots in Regions 4, 5, and 6.

## Summary:

# 2022 subsidy rates mostly fall below the 50th percentile of the current MRS, similar to findings in 2018

Regions	Center-Based Providers				FCC Providers			
	Infant	Toddler	Preschool	School Age	Infant	Toddler	Preschool	School Age
Region 1- Western	43	50	46	60	32	55	27	29
Region 2- Central	21	26	28	51	25	48	19	28
Region 3- Northeast	23	18	25	59	42	57	39	31
Region 4- Metro	18	17	19	65	49	61	16	17
Region 5- Southeast and Cape	24	30	34	58	22	36	7	11
Region 6- Metro Boston	13	22	16	50	28	49	17	17

The **red** subsidy percentiles represent the EEC subsidy rate falling *below* the 50<sup>th</sup> percentile of the market

The **green** subsidy percentiles represent the EEC subsidy rate falling *above* the 50<sup>th</sup> percentile of the market

Families using  
subsidy have  
access to  
much, though  
not all, of the  
child care  
market

## 60% of providers in this analysis report that they accept child care subsidies

*However, there is evidence that low reimbursement  
rates may be keeping some providers out of the system*

- Private-Pay-Only providers charge significantly higher prices than Subsidy-Accepting providers
- Subsidies cover the price of care for only one in four slots of infant and toddler care in Massachusetts
- Key reasons that providers who do not currently accept subsidy reported:

– Capacity is full with private pay	32%
– Insufficient subsidy reimbursement rates	27%
– Long waitlist of private pay families	27%
– Too much administrative work involved	21%



# Looking back: 2019 subsidy rates also mostly fell below the 50<sup>th</sup> percentile of the 2018 MRS

Regions	Center-Based Providers				FCC Providers					Before and After School Only			
	Infant	Toddler	Preschool	School Age	Infant	Toddler 1	Toddler 2	Preschool	School Age	FCC Before	FCC After	Center Before	Center After
Region 1- Western	\$56.65	\$51.95	\$39.51	\$36.33	\$38.56	\$38.56	\$33.25	\$33.25	\$33.25	\$19.95	\$19.95	\$8.59	\$18.03
Region 2- Central	\$58.20	\$53.15	\$39.51	\$36.33	\$44.07	\$44.07	\$33.25	\$33.25	\$33.25	\$19.95	\$19.95	\$8.59	\$18.03
Region 3- Northeast	\$65.00	\$59.47	\$42.18	\$37.56	\$44.07	\$44.07	\$35.07	\$35.07	\$35.07	\$21.04	\$21.04	\$9.11	\$20.17
Region 4- Metro	\$70.39	\$63.92	\$43.42	\$38.62	\$66.10	\$66.10	\$35.07	\$35.07	\$35.07	\$21.04	\$21.04	\$9.35	\$20.71
Region 5- Southeast and Cape	\$56.65	\$53.15	\$39.51	\$36.33	\$44.07	\$44.07	\$33.25	\$33.25	\$33.25	\$19.95	\$19.95	\$8.59	\$18.03
Region 6- Metro Boston	\$73.86	\$68.85	\$43.42	\$38.62	\$49.57	\$49.57	\$35.07	\$35.07	\$35.07	\$21.04	\$21.04	\$9.35	\$20.71

The **red** subsidy rates fell below the 50<sup>th</sup> percentile of market rates in the 2018 MRS



## Preliminary Cost Analysis

### 2022 Methodology



Massachusetts completed a cost study in 2020 with extensive data gathering and stakeholder input.

- Survey of providers
- Review of Bureau of Labor Statistics data
- Used national cost estimates for non-personnel costs, adjusted after analyzing survey data
- Conducted series of webinars to develop consensus on model inputs

The current study updated that model to account for inflation.

This Preliminary Cost Analysis was designed to estimate **what it currently costs providers to operate** given MA regulations and current labor and other costs.

2020

2022

- **Salaries** were inflated using the BLS Employment Cost Index for Boston-Worcester-Providence for the 24-month period ending March 2022, as well as the 2022 minimum wage
- **Health insurance costs** were inflated using data from Center for Health Information and Analysis
- **Worker's Compensation** was updated using data from The Workers' Compensation and Inspection Bureau of Massachusetts
- **Non-personnel costs** (e.g. physical space, materials, etc.) were updated with data from the most recent version of the Provider Cost of Quality Calculator



**Costs from 2020 study  
were updated to account  
for inflation**



## Summary of 2022 Preliminary Cost Analysis Results

As expected, costs for providing infant and toddler care far exceed the cost of providing care for preschool and school-age children.

- This is driven by the fact that infants and toddlers need to be cared for in smaller groups, with fewer children per teacher

Estimated costs for providing care **did not vary as substantially across geographies as prices** charged for care.

- Data collected on wages paid by child care providers in 2020 did not vary widely across the state. This low variation was also evident in the BLS data.
- The cost model was not able to directly estimate different costs for occupancy (rent & utilities) across regions, as this information was unavailable.



# Group and School Age Results from Preliminary Cost Analysis

## Licensing Standards Analysis

*Costs to meet EEC licensing standards at current compensation levels*

Region	Infant		Toddler		Preschool		School Age	
	Per Classroom/ per year	Per child/ per day	Per Classroom/ per year	Per child/ per day	Per Classroom/ per year	Per child/ per day	Per Classroom/ per year	Per child/ per day
Region 1- Western	\$199,856	\$127.62	\$209,215	\$100.20	\$251,326	\$56.64	\$256,351	\$42.70
Region 2- Central	\$199,856	\$127.62	\$209,215	\$100.20	\$251,326	\$56.64	\$256,351	\$42.70
Region 3- Northeast	\$202,917	\$129.58	\$212,350	\$101.70	\$254,797	\$57.43	\$259,584	\$43.24
Region 4- Metro	\$206,897	\$132.12	\$216,426	\$103.65	\$259,309	\$58.44	\$263,787	\$43.94
Region 5- Southeast	\$201,387	\$128.60	\$210,782	\$100.95	\$253,062	\$57.03	\$257,967	\$42.97
Region 6- Metro Boston	\$206,744	\$132.02	\$216,269	\$103.58	\$259,135	\$58.40	\$263,625	\$43.92

Assumptions these results are based on: 85% estimated enrollment, 95% fees collected, “current” (not “desired”) salaries and fringe, 261 days of care provided.

# Family Child Care Results from Preliminary Cost Analysis

## Licensing Standards Analysis

*Costs to meet EEC licensing requirements at current compensation levels*

Region	Total Program Cost	Under Age 2	Over Age 2	School Age
		Per child/ per day	Per child/ per day	Per child/ per day
Region 1- Western	\$157,132	\$69.13	\$46.82	\$46.82
Region 2- Central	\$157,132	\$69.13	\$46.82	\$46.82
Region 3- Northeast	\$159,104	\$70.06	\$47.31	\$47.31
Region 4- Metro	\$161,668	\$71.28	\$47.94	\$47.94
Region 5- Southeast	\$158,118	\$69.59	\$47.06	\$47.06
Region 6- Metro Boston	\$161,569	\$71.23	\$47.92	\$47.92

*Assumptions these results are based on: Large FCC home with capacity of 10 children; 85% estimated enrollment, 95% fees collected, “current” (not “desired”) salaries and fringe, 261 days of care provided*

These  
Preliminary  
Cost Estimate  
Results are  
just part of the  
first phase of a  
broader  
planned study

**A deeper analysis of program costs and revenues is planned in the coming months**

*The next phase of study will focus on modeling adequate wages and benefits for the workforce.*

- While the process included extensive stakeholder engagement, the current cost analysis relies on a relatively limited sample of providers.
- Costs for occupancy will be a key focus, as the current estimate is likely lower than true costs, especially in the Boston area.
- Future models will also include more information about other revenue sources, such as the Child and Adult Care Food Program.



# Bringing it all together: Comparing Market Rates, Costs, and Current Rates





# Comparison for Group and School Age Rates

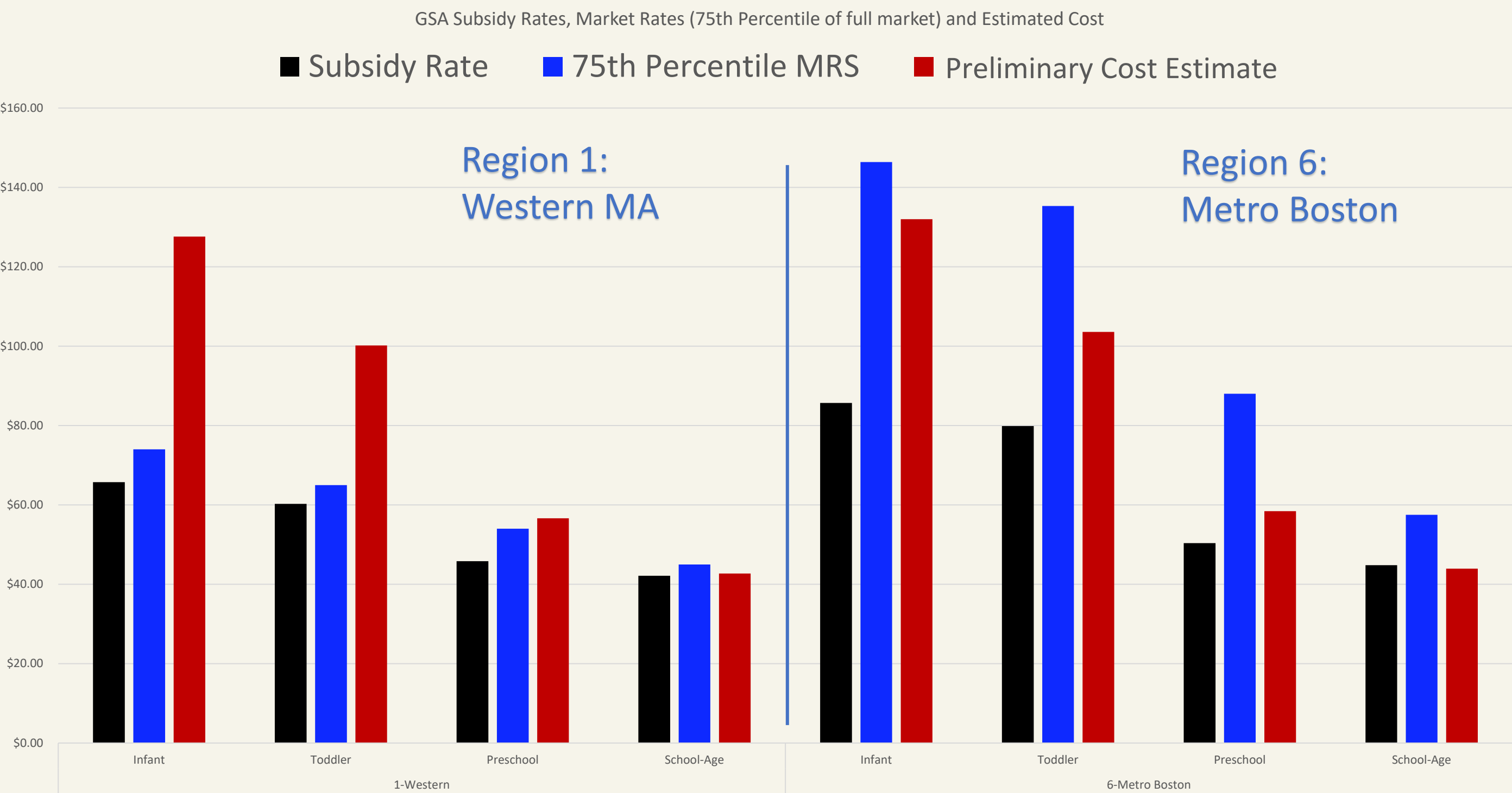
Region	Infant			Toddler			Preschool			School Age		
	Current Rate	75th Percentile MRS	Cost Estimate	Current Rate	75th Percentile MRS	Cost Estimate	Current Rate	75th Percentile MRS	Cost Estimate	Current Rate	75th Percentile MRS	Cost Estimate
Region 1- Western	\$65.71	\$74.00	\$127.62	\$60.26	\$65.00	\$100.20	\$45.82	\$54.00	\$56.64	\$42.13	\$45.00	\$42.70
Region 2- Central	\$67.51	\$85.13	\$127.62	\$61.65	\$79.34	\$100.20	\$48.81	\$64.00	\$56.64	\$42.14	\$51.00	\$42.70
Region 3- Northeast	\$79.40	\$104.00	\$129.58	\$69.05	\$97.00	\$101.70	\$49.91	\$73.90	\$57.43	\$43.57	\$49.00	\$43.24
Region 4- Metro	\$90.41	\$129.56	\$132.12	\$82.08	\$117.00	\$103.65	\$63.22	\$99.45	\$58.44	\$44.79	\$59.00	\$43.94
Region 5- Southeast	\$65.71	\$84.20	\$128.60	\$61.65	\$77.50	\$100.95	\$47.03	\$62.50	\$57.03	\$42.14	\$48.00	\$42.97
Region 6- Metro Boston	\$85.68	\$146.42	\$132.02	\$79.86	\$135.33	\$103.58	\$50.37	\$88.00	\$58.40	\$44.79	\$57.50	\$43.92

# Comparison for Family Child Care Rates

## Licensing Standards-Base

Region	Under Age 2				Over Age 2			
	Current Rate	75th Percentile MRS Infant	75th Percentile MRS Toddler	Cost Estimate	Current Rate	75th Percentile MRS Preschool	75th Percentile MRS School-Age	Cost Estimate
Region 1- Western	\$42.79	\$50.00	\$48.00	\$69.13	\$36.89	\$45.00	\$45.00	\$46.82
Region 2- Central	\$48.90	\$60.00	\$55.00	\$69.13	\$38.83	\$55.00	\$50.00	\$46.82
Region 3- Northeast	\$48.90	\$58.00	\$55.00	\$70.06	\$38.90	\$55.00	\$54.00	\$47.31
Region 4- Metro	\$73.34	\$85.00	\$80.00	\$71.28	\$44.38	\$76.00	\$74.50	\$47.94
Region 5- Southeast	\$48.90	\$56.00	\$60.00	\$69.59	\$38.83	\$60.00	\$58.75	\$47.06
Region 6- Metro Boston	\$55.00	\$80.00	\$70.00	\$71.23	\$39.94	\$60.00	\$60.00	\$47.92

# Looking at price and cost data together shows different stories in different parts of MA

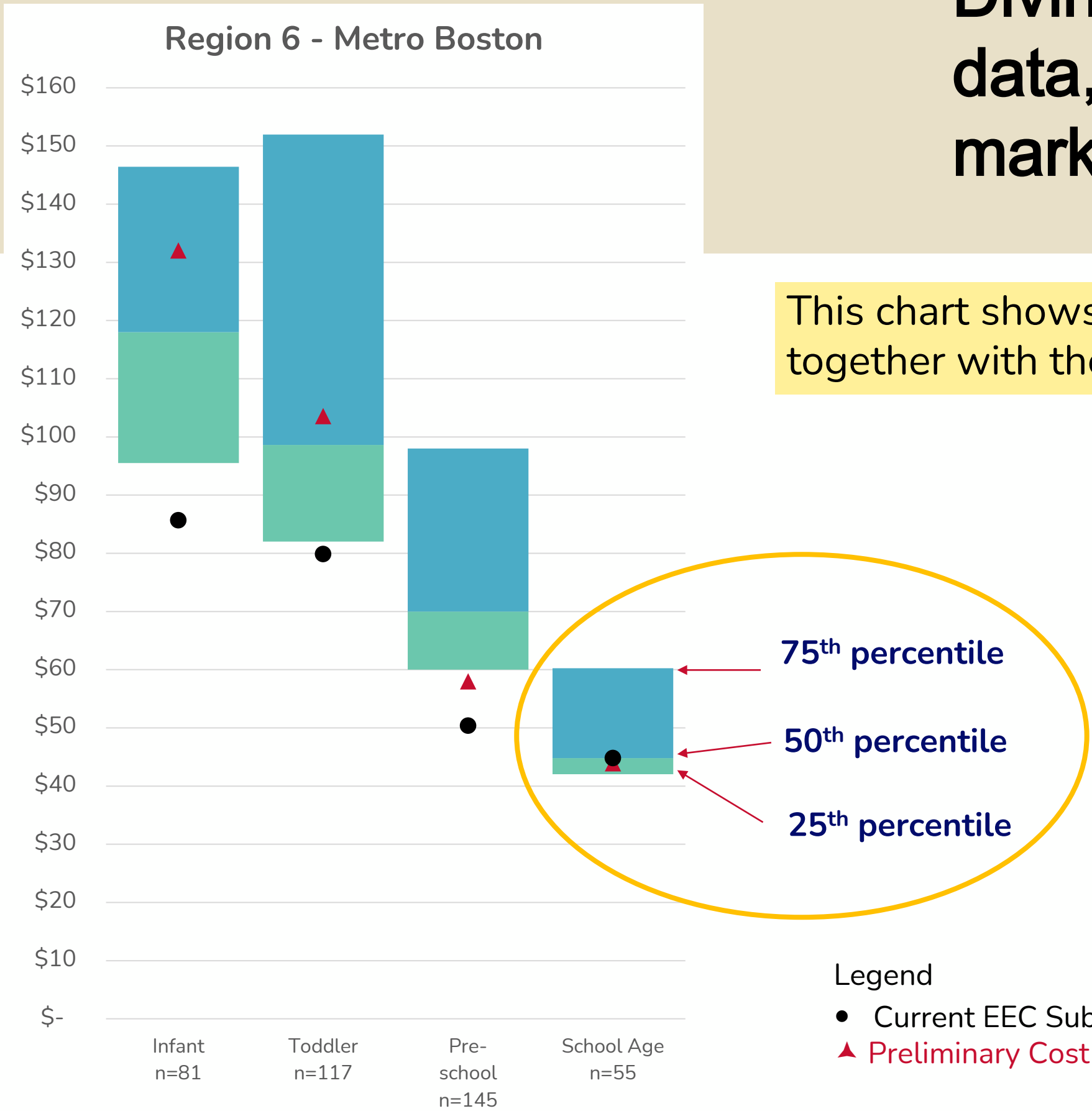


In **Western MA** (and also in Central & Southeast), the **market prices (75<sup>th</sup> percentile) are not enough** to cover the cost of operating the program.

In contrast, in **Metro Boston** (and also largely in Metro and Northeast MA), the **top prices in the market do cover the estimated cost** of operating the program.

In both cases, however, the **subsidy rate is substantially lower than the cost** to operate the program.

# Diving deeper into Metro Boston data, we can see that there are market challenges here, too



This chart shows the 25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup> percentile of the market rate together with the Preliminary Cost Estimate and the current subsidy rate.

- 1 Looking at the black dots ● together with the red triangles ▲ : Reimbursement rates (black dots ● ) are not high enough to cover the cost for the program as a whole (red triangles ▲ )
- 2 Looking at the green boxes ■ together with the red triangles ▲ : the rates charged by the bottom 50% of providers (green boxes ■ ) are not high enough to sustainably cover estimated costs (red triangles ▲ )



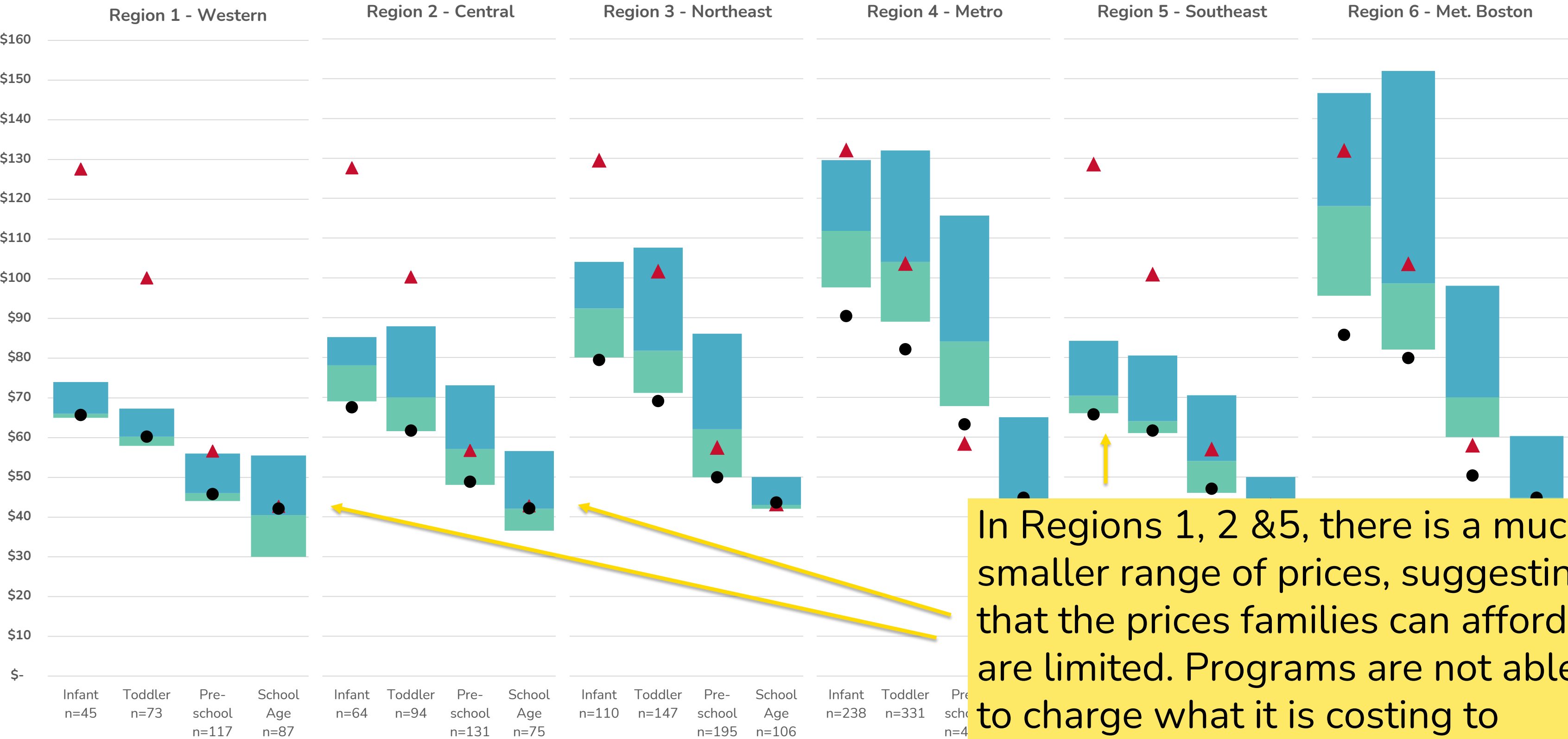
- Legend
- Current EEC Subsidy Rate
  - ▲ Preliminary Cost Estimate

# 25th to 75th Percentile Range - GSA



- Legend
- Current EEC Subsidy Rate
  - ▲ Preliminary Cost Estimate

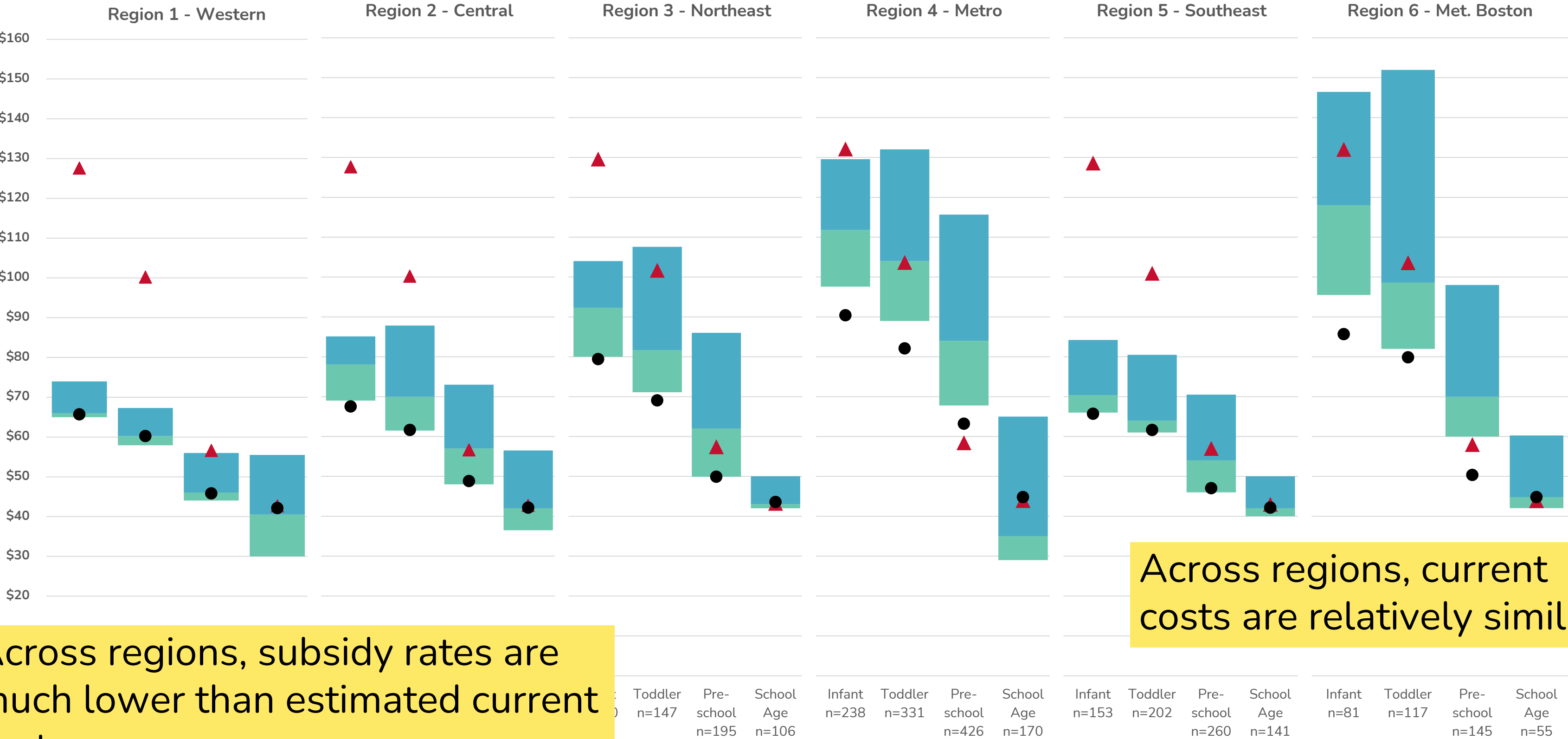
# 25th to 75th Percentile Range - GSA



In Regions 1, 2 & 5, there is a much smaller range of prices, suggesting that the prices families can afford are limited. Programs are not able to charge what it is costing to provide care, likely resulting in child care gaps.

- Legend
- Current EEC Subsidy Rate
  - ▲ Preliminary Cost Estimate

# 25th to 75th Percentile Range - GSA

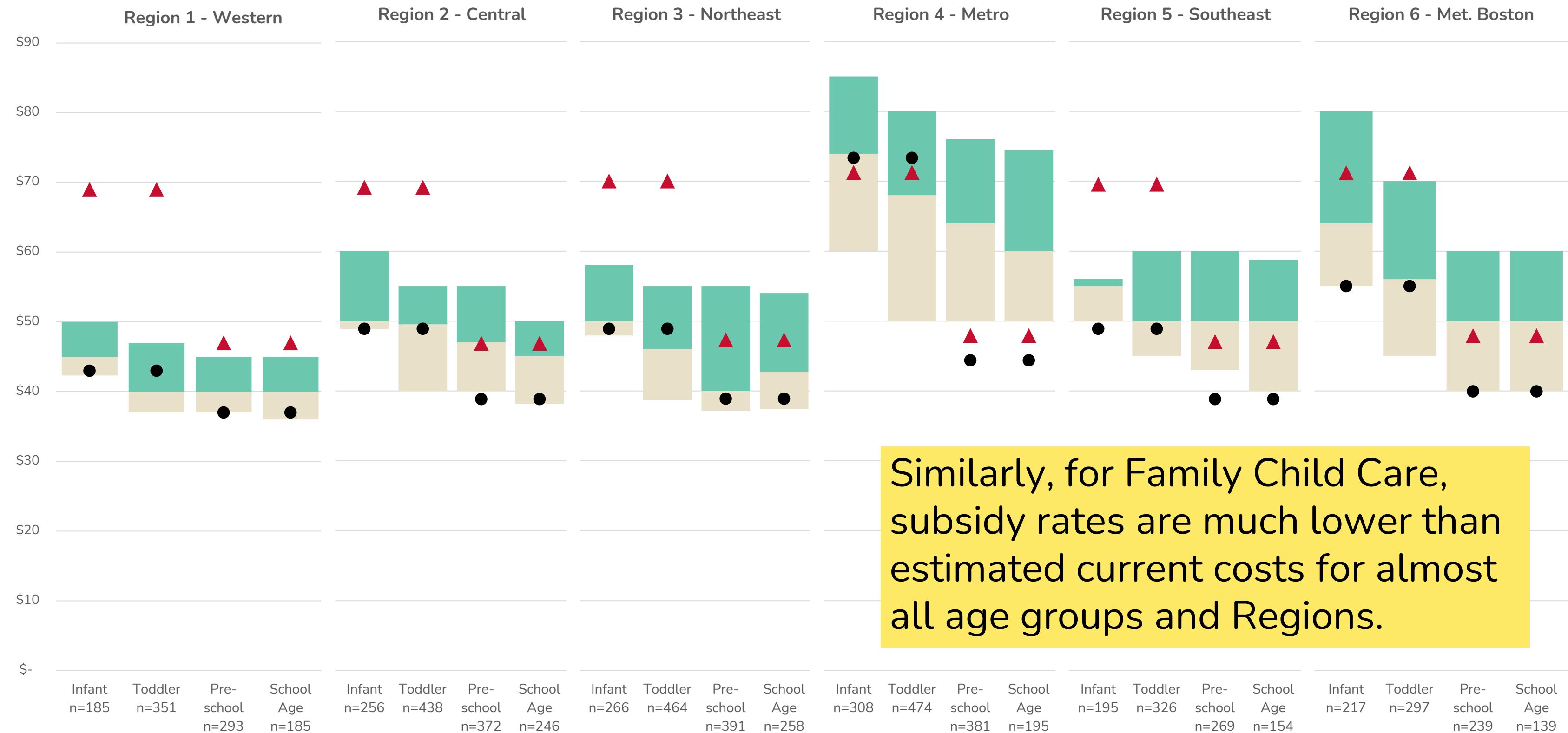


Across regions, subsidy rates are much lower than estimated current costs.

Across regions, current costs are relatively similar.

- Legend
- Current EEC Subsidy Rate
  - ▲ Preliminary Cost Estimate

# 25th to 75th Percentile Range - FCC



Similarly, for Family Child Care, subsidy rates are much lower than estimated current costs for almost all age groups and Regions.



# Subsidy rates are only one part of a child care funding strategy

Providers need to have enough stable revenue to **support whole classrooms and programs**, which is difficult with current per-child funding approaches.

Increasing subsidy rates will not be enough to effectively generate the total revenue needed for programs to be sustained.

Other strategies, such as **foundational grants** like EEC's C3 Grant Program, will be needed to address the gap between the prices the market will bear and the true costs of operating high quality child care programs.



**You can't fix a market failure just by raising subsidy rates**

# Next Steps

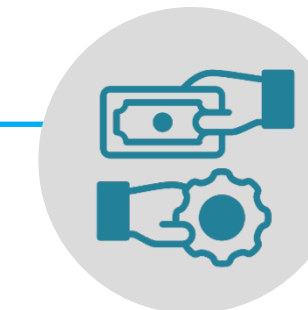
## Complete deeper cost study

Review in greater detail the current cost drivers and revenue sources for providers



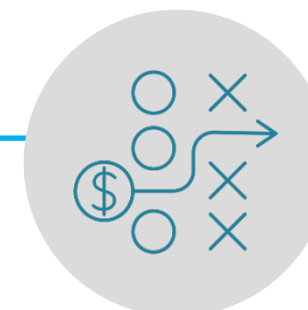
## Model for adequate compensation

Consider salary scale that would attract and retain qualified workforce, and incorporate into cost models



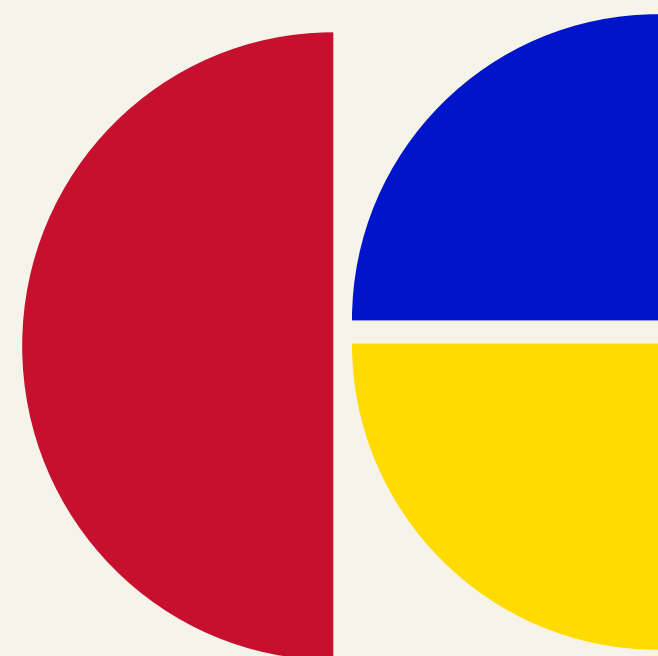
## Explore new funding strategies

Review in greater detail the current cost drivers and revenue sources for providers



# Discussion and Questions





# Appendix



- Duplicates were removed from the sample to ensure each provider listed only one rate per age group using the following prioritization:
- In the case of two duplicates of the same age group, keep 1) Weekly, 2) Daily, 3) Monthly, or 4) Hourly, in that order.
- In the case that the entries were the same for both age group and childcare timings, but the difference was schedule type, use the following hierarchy: 1) Full Year Schedule, 2) School Year Schedule, 3) Summer Schedule, 4) Temporary Schedule.
- In cases where there are two or more of the same categorization among one age group and no other difference in the data, keep the higher rate entry.

## MRS Rate and Duplicate Clean-Up

All rate data was converted to a daily rate using conversion table:

Original Unit	Conversion
Hourly Full-Time	(Hourly Rate) x 8
Daily Full-Time	No conversion
Weekly Full-Time	(Weekly Rate) ÷ 5
Monthly Full-Time	(Monthly Rate) ÷ 4.33 ÷ 5

The 2018 report used actual hours data to perform the conversion. This was challenging to confirm accurately due to Covid-19 hours variability.

# MRS Weighting Procedures

- Current ACF guidance recommends weighting price data by childcare slots to accurately represent the full market supply
- CELFE calculated weights for the GSA providers only, as FCC providers vary less in license capacity.
- This analysis used a two-phased approach to calculate the weighted rates:

## 1. Estimate Age-Specific Licensed Capacity

- The age groups for capacity in the administrative data included mixed age groupings rather than only the age group categories listed for each providers' rate data. So, CELFE calculated an estimated capacity for each rate-specific age groups for each GSA provider using the assumptions in this table:

This is the same methodology as the 2018 report.

Licensing Group	Age Group Proportions	Notes
Infant	100% Infant Age Group	birth-15 months
Infant Toddler	1/2 Infant Age Group 1/2 Toddler Age Group	birth-33 months
Toddler	100% Toddler Age Group	15-33 months
Toddler Preschool	1/3 Toddler Age Group 2/3 Preschool Age Group	15 months-Kindergarten
Preschool	100% Preschool Age Group	33 months-Kindergarten
Preschool School-Age	2/3 Preschool 1/3 School Age	33mo-8 years
Kindergarten	100% School Age	no ages indicated
Kindergarten School-Age	100% School Age	no ages indicated
School-Age	100% School Age	5-14 years

## 2. Calculate Price Weights

- Order all the providers in the sample (age and region groups) from highest to lowest price
- List estimated licensed capacity next to rate
- Add the cumulative number of licensed slots for each provider starting with the lowest reported rate to the highest
- Divide the cumulative number of licensed slots available by provider by the total amount of licensed slots in the sample





# MA Data Cleaning Procedures

- Final Sample n= 4,237 unique providers
- n= 10,495 total observations

Rationale	# Total Observations Dropped	# Total Observations Remaining
Merged Rate/Application/Survey/ARPA datasets	0	28,519
Dropped Weekend Schedule	44	28,475
Dropped Emergency Schedule	30	28,445
Dropped any "Part Time" Schedule to include only "Full Time"	5,509	22,936
Dropped if Provider Type is "License Exempt"	31	22,905
Dropped if data entered is past 366+ Days	8,061	14,844
Dropped Evening Schedule	56	14,788
Dropped Kindergarten Age Group	430	14,358
Dropped AM/PM Observations	88	14,270
Remedying Duplicates	2,604	11,666
Observations did not have rate data	658	11,088
Observations with "Converted Daily Rate" == 0	164	10,844
Observations where the "Converted Daily Rate" is less than \$20/day and greater than \$200/day	350	10,495

# Sample Data Weighting Procedure

The standard weighting process included the following steps:

- Order all the providers in the sample (age and region groups) from highest to lowest rate
- List estimated licensed capacity next to rate
- Add the cumulative number of licensed slots for each provider starting with the lowest reported rate to the highest
- Divide the cumulative number of licensed slots available by provider by the total amount of licensed slots in the sample to understand the percentage of where that rate falls in the distribution
- Identify the 75<sup>th</sup>, 50<sup>th</sup>, and 25<sup>th</sup> percentile and their associated rates.
- For the below example, the associated rate for the 75<sup>th</sup> percentile is \$90.00 meaning that a rate of \$90.00/day would cover the price of 75% of the licensed slots in this region.

\*This process was repeated for each GSA age group and region.

Sample Provider	Daily Rate	Sample Licensed Capacity- Infant	Cumulative Total	Percentile
Tiny Tots	\$109.00	18	207	100%
Toddler Town Daycare	\$99.00	34	189	91%
Little Einstein's	\$90.00	35	155	75%
Kangaroo Korner	\$83.00	45	120	58%
Bright Eyed Learning	\$72.00	10	75	36%
Little Explorers	\$68.00	30	65	31%
Luna's Daycare	\$62.00	5	35	17%
Toddlers on the Move	\$56.00	21	30	14%
Rainbow Daycare	\$54.00	9	9	4%
Total		207		



# Group and School Age Providers in final dataset are more representative than in the previous survey methodology

Region	Provider Universe	Target Sample (95% CL, +/- 5.0 margin of error)	Providers Included in Final Dataset	Percent of Target Sample Achieved	Margin of Error	2018 MRS Margin of Error
Region 1- Western	306	171	159	93%	5.4	5.4
Region 2- Central	255	154	153	99%	5.1	5.7
Region 3- Northeast	444	206	255	124%	4.0	4.3
Region 4- Metro	951	274	553	202%	2.7	3.5
Region 5- Southeast	492	216	304	140%	3.5	4.5
Region 6- Metro Boston	325	177	181	100%	4.9	5.4

These far outpace the 2018 survey response rates (except Region 1 which is the same)

# FCC Providers in final dataset are more representative than in the previous survey methodology

Region	Provider Universe	Target Sample (95% CL, +/- 5.0 margin of error)	Providers Included in Final Dataset	Percent of Target Sample Achieved	Margin of Error	2018 MRS Margin of Error
Region 1- Western	677	246	388	158%	3.3	5.0
Region 2- Central	833	263	475	181%	3.0	4.5
Region 3- Northeast	1,094	285	553	194%	2.9	3.7
Region 4- Metro	933	273	544	199%	2.7	5.2
Region 5- Southeast	639	240	373	155%	3.3	5.1
Region 6- Metro Boston	587	233	340	146%	3.5	4.6

These far outpace the 2018 survey response rates

# GSA Provider Private Pay Only vs. Accept Subsidy

## Summary:

On average, GSA Providers that are “Private Pay Only” have higher Median Daily Rates than providers who do accept children with subsidy.

## For example:

In Region 5 for all age groups among GSA providers, the Median Daily Rate prices for those providers that are private pay only is \$5-\$18 higher than the Median Daily Rate for providers who accept subsidy.

## Infant

## Toddler

Region	Private Pay Only		Accepts Subsidy		Private Pay Only		Accepts Subsidy	
	N	Median Daily Rate	N	Median Daily Rate	N	Median Daily Rate	N	Median Daily Rate
Region 1- Western	Less than 10	\$83.00	38	\$65.71	10	\$69.52	62	\$59.68
Region 2- Central	27	\$78.06	36	\$80.00	34	\$73.80	59	\$64.50
Region 3- Northeast	26	\$99.40	83	\$85.60	38	\$85.60	110	\$74.80
Region 4- Metro	128	\$118.01	114	\$107.00	185	\$108.27	151	\$98.00
Region 5- Southeast	26	\$81.40	130	\$67.68	38	\$67.44	166	\$62.40
Region 6- Metro Boston	42	\$132.01	38	\$95.50	51	\$115.89	64	\$87.00

## Preschool

## School-Age

Region	Private Pay Only		Accepts Subsidy		Private Pay Only		Accepts Subsidy	
	N	Median Daily Rate	N	Median Daily Rate	N	Median Daily Rate	N	Median Daily Rate
Region 1- Western	22	\$45.50	94	\$45.00	10	\$30.00	78	\$40.51
Region 2- Central	56	\$58.31	74	\$51.50	21	\$26.50	53	\$44.00
Region 3- Northeast	59	\$65.00	137	\$55.00	13	\$47.00	93	\$43.00
Region 4- Metro	250	\$87.18	180	\$76.40	53	\$33.88	118	\$38.80
Region 5- Southeast	65	\$59.07	196	\$49.25	11	\$60.30	131	\$42.14
Region 6- Metro Boston	60	\$96.28	82	\$70.00	Less than 10	\$40.00	49	\$45.00

# FCC Provider Private Pay vs. Accept Subsidy

Region	Infant				Toddler			
	Private Pay Only		Accepts Subsidy		Private Pay Only		Accepts Subsidy	
	N	Median Daily Rate	N	Median Daily Rate	N	Median Daily Rate	N	Median Daily Rate
Region 1- Western	53	\$50.00	125	\$44.00	134	\$45.00	205	\$40.00
Region 2- Central	68	\$55.00	177	\$50.00	153	\$50.00	273	\$47.00
Region 3- Northeast	53	\$62.00	201	\$48.94	122	\$60.00	327	\$42.00
Region 4- Metro	203	\$75.00	95	\$70.55	322	\$70.00	139	\$60.00
Region 5- Southeast	84	\$60.00	103	\$50.00	154	\$55.00	164	\$50.00
Region 6- Metro Boston	36	\$75.00	169	\$60.00	54	\$65.00	229	\$55.00

## Summary:

On average, FCC Providers that are “Private Pay Only” have higher Median Daily Rates than providers who do accept children with subsidy.

## For example:

In Region 3 for all age groups among FCC providers, the Median Daily Rate prices for those providers that are private pay only is \$13-21 higher than the Median Daily Rate for providers who accept subsidy.

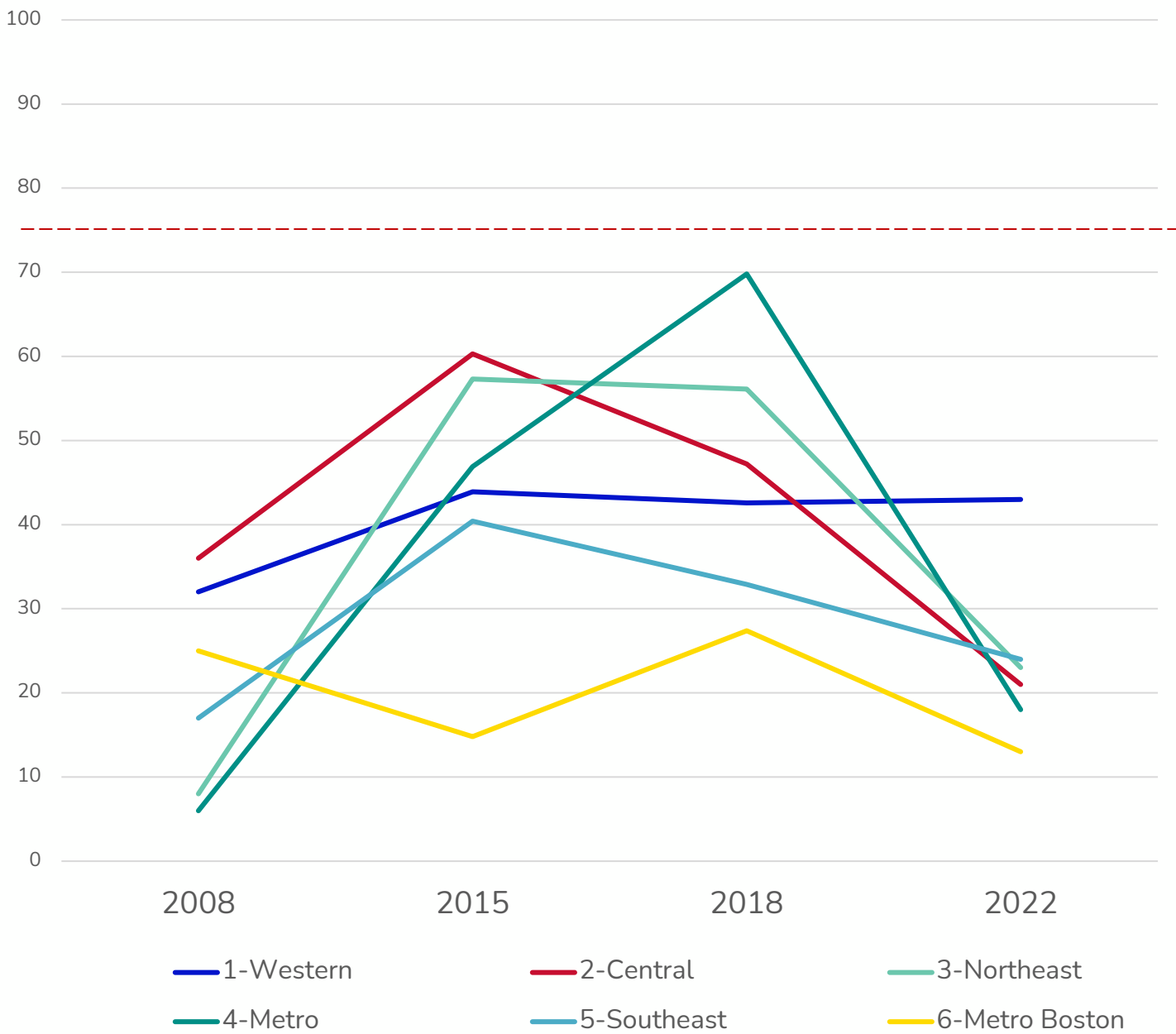
Region	Preschool				School-Age			
	Private Pay Only		Accepts Subsidy		Private Pay Only		Accepts Subsidy	
	N	Median Daily Rate	N	Median Daily Rate	N	Median Daily Rate	N	Median Daily Rate
Region 1- Western	110	\$45.00	172	\$39.00	78	\$41.00	101	\$40.00
Region 2- Central	142	\$50.00	220	\$40.00	87	\$50.00	155	\$40.00
Region 3- Northeast	107	\$60.00	272	\$38.90	67	\$55.00	184	\$40.00
Region 4- Metro	263	\$70.00	109	\$50.00	123	\$65.00	66	\$55.00
Region 5- Southeast	132	\$55.00	131	\$50.00	69	\$50.00	83	\$45.00
Region 6- Metro Boston	41	\$58.00	187	\$50.00	27	\$50.00	105	\$50.00



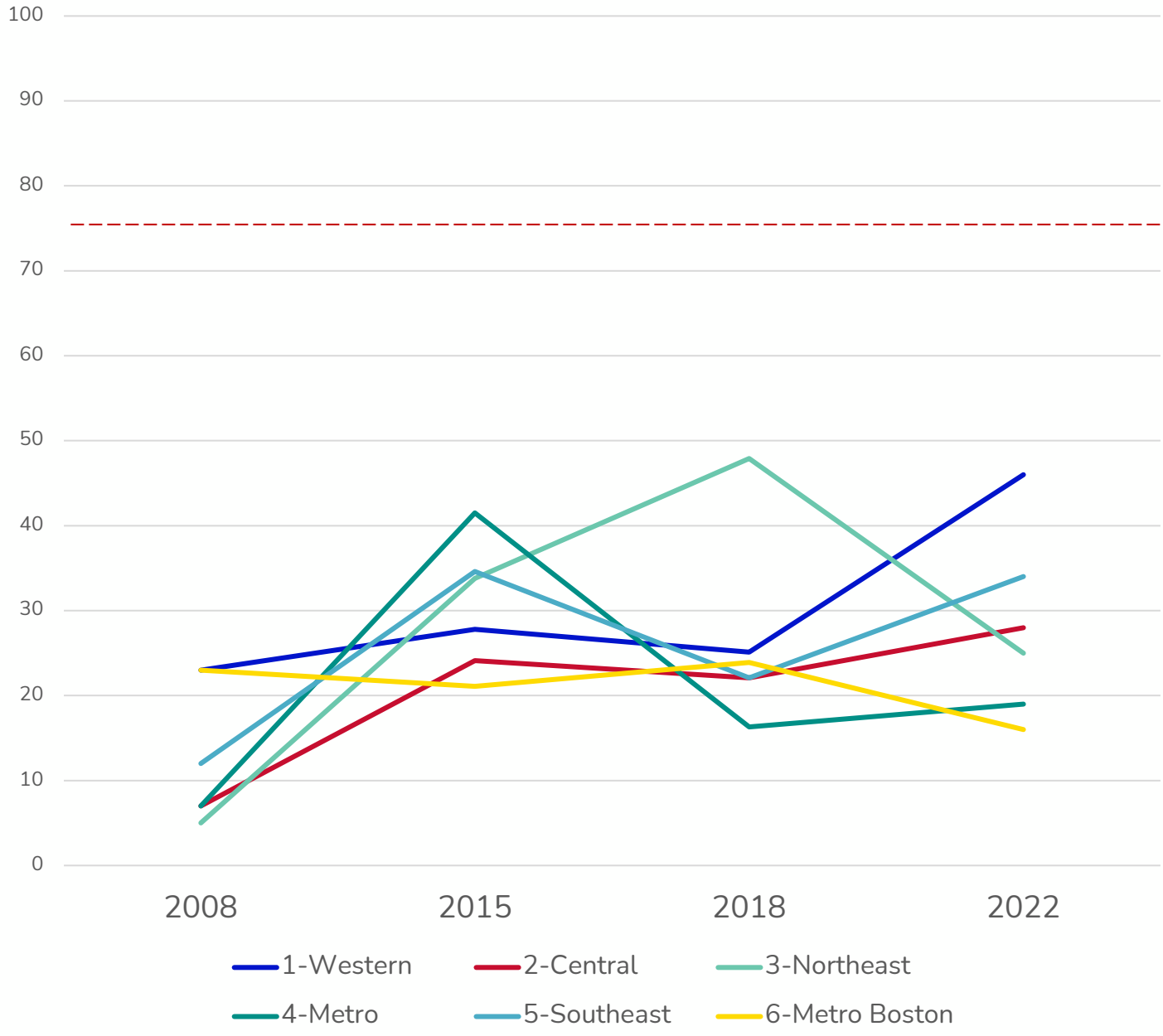
# Historical comparison: MA child care rates have historically been at low percentiles of the market rate

GSA Infant Rates as Percentile of Market Rate  
over time

Federal  
benchmark:  
75<sup>th</sup>  
percentile



Preschool Rates as Percentile of Market Rate  
over time

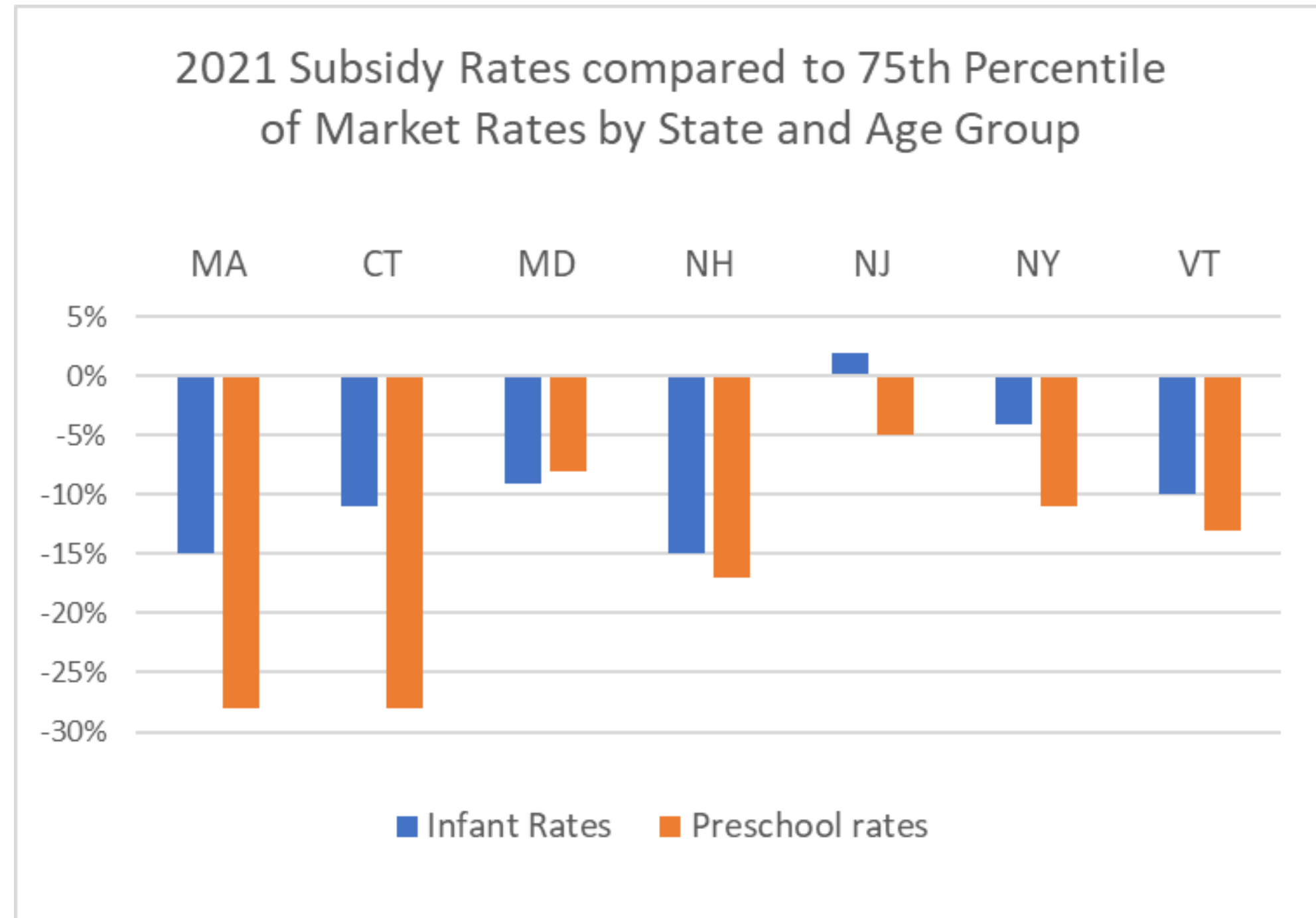


Note:  
Each of the last four Market Rate Studies has used different methodologies and had different response rates, so results are not fully comparable across studies. The findings regarding subsidies as a percentile of the market rate are shown here only to provide historical context on the rate structure.

Massachusetts is not unique in having payment rates that are below the target of the 75<sup>th</sup> percentile.

- In 2021, only 2 states (HI & SD) set subsidy rates at the 75<sup>th</sup> percentile of a recent Market Rate Survey.
- MA has the 5<sup>th</sup> highest infant rate and 8<sup>th</sup> highest preschool rate in the country.

Most states in the Northeast have subsidy rates that are significantly lower than the target of the 75<sup>th</sup> percentile of the Market Rate.



# Group and School Age Results from Preliminary Cost Analysis

## QRIS Level 3

### GSA Costs to meet standards of Massachusetts' QRIS Level 3

Region	Infant		Toddler		Preschool		School Age	
	Per Classroom/ Per Year	Per child/ per day	Per Classroom/ Per Year	Per child/ per day	Per Classroom/ Per Year	Per child/ per day	Per Classroom/ Per Year	Per child/ per day
Region 1- Western	\$264,008	\$168.59	\$280,053	\$134.13	\$352,255	\$79.39	\$381,555	\$63.56
Region 2- Central	\$264,008	\$168.59	\$280,053	\$134.13	\$352,255	\$79.39	\$381,555	\$63.56
Region 3- Northeast	\$267,948	\$171.10	\$284,176	\$136.10	\$357,199	\$80.50	\$386,669	\$64.41
Region 4- Metro	\$273,071	\$174.37	\$289,535	\$138.67	\$363,626	\$81.95	\$393,318	\$65.52
Region 5- Southeast	\$265,978	\$169.85	\$282,115	\$135.11	\$354,727	\$79.95	\$384,112	\$63.99
Region 6- Metro Boston	\$272,874	\$174.25	\$289,329	\$138.57	\$363,379	\$81.90	\$393,062	\$65.48

Assumptions these results are based on: 85% estimated enrollment, 95% fees collected, "current" (not "desired") salaries and fringe, 261 days of care provided

# Family Child Care Results from Preliminary Cost Analysis

## QRIS Level 3

### Family Child Care Costs to meet standards of Massachusetts’ QRIS Level 3

Region	Under Age 2		Over Age 2		School Age	
	Per Program/ Per Year	Per child/ per day	Per Program/ Per Year	Per child/ per day	Per Program/ Per Year	Per child/ per day
Region 1- Western	\$202,521	\$87.08	\$202,521	\$63.37	\$202,521	\$63.37
Region 2- Central	\$202,521	\$87.08	\$202,521	\$63.37	\$202,521	\$63.37
Region 3- Northeast	\$205,391	\$88.37	\$205,391	\$64.19	\$205,391	\$64.19
Region 4- Metro	\$209,122	\$90.04	\$209,122	\$65.25	\$209,122	\$65.25
Region 5- Southeast	\$203,956	\$87.72	\$203,956	\$63.78	\$203,956	\$63.78
Region 6- Metro Boston	\$208,978	\$89.98	\$208,978	\$65.21	\$208,978	\$65.21

Assumptions these results are based on: Large FCC home with capacity of 10 children; 85% estimated enrollment, 95% fees collected, “current” (not “desired”) salaries and fringe, 261 days of care provided



# School-Age Only Results from Preliminary Cost Analysis

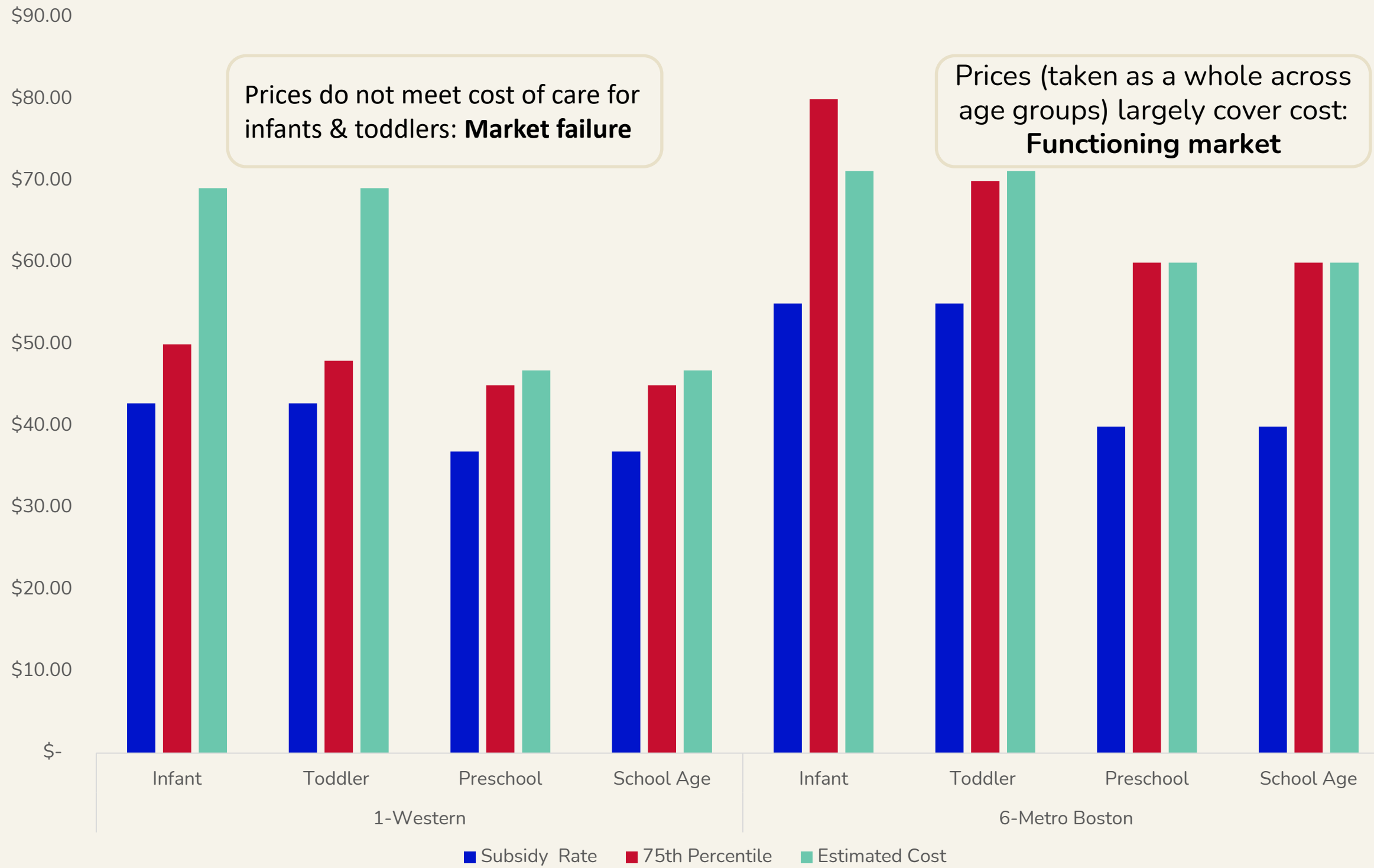
## Licensing and QRIS Level 3

**Costs for programs that only provide School-Age Care**  
*Note: Costs are for full-day programming (such as summer care)*

Licensing Standards—Base			QRIS Level 3		
School Age			School Age		
Region	Per Classroom	Per child/ per day	Region	Per Classroom	Per child/ per day
Region 1	\$172,048	\$45.32	Region 1	\$212,711	\$56.03
Region 2	\$172,048	\$45.32	Region 2	\$212,711	\$56.03
Region 3	\$173,991	\$45.83	Region 3	\$215,294	\$56.71
Region 4	\$176,517	\$46.49	Region 4	\$218,651	\$57.59
Region 5	\$173,019	\$45.57	Region 5	\$214,002	\$56.37
Region 6	\$176,420	\$46.47	Region 6	\$218,522	\$57.56

*Assumptions these results are based on: 85% estimated enrollment, 95% fees collected, “current” (not “desired”) salaries and fringe, 261 days of care provided*

## FCC Subsidy Rates, Market Rates (75th Percentile of full market) and Estimated Cost



Prices do not meet cost of care for infants & toddlers: **Market failure**

Prices (taken as a whole across age groups) largely cover cost: **Functioning market**

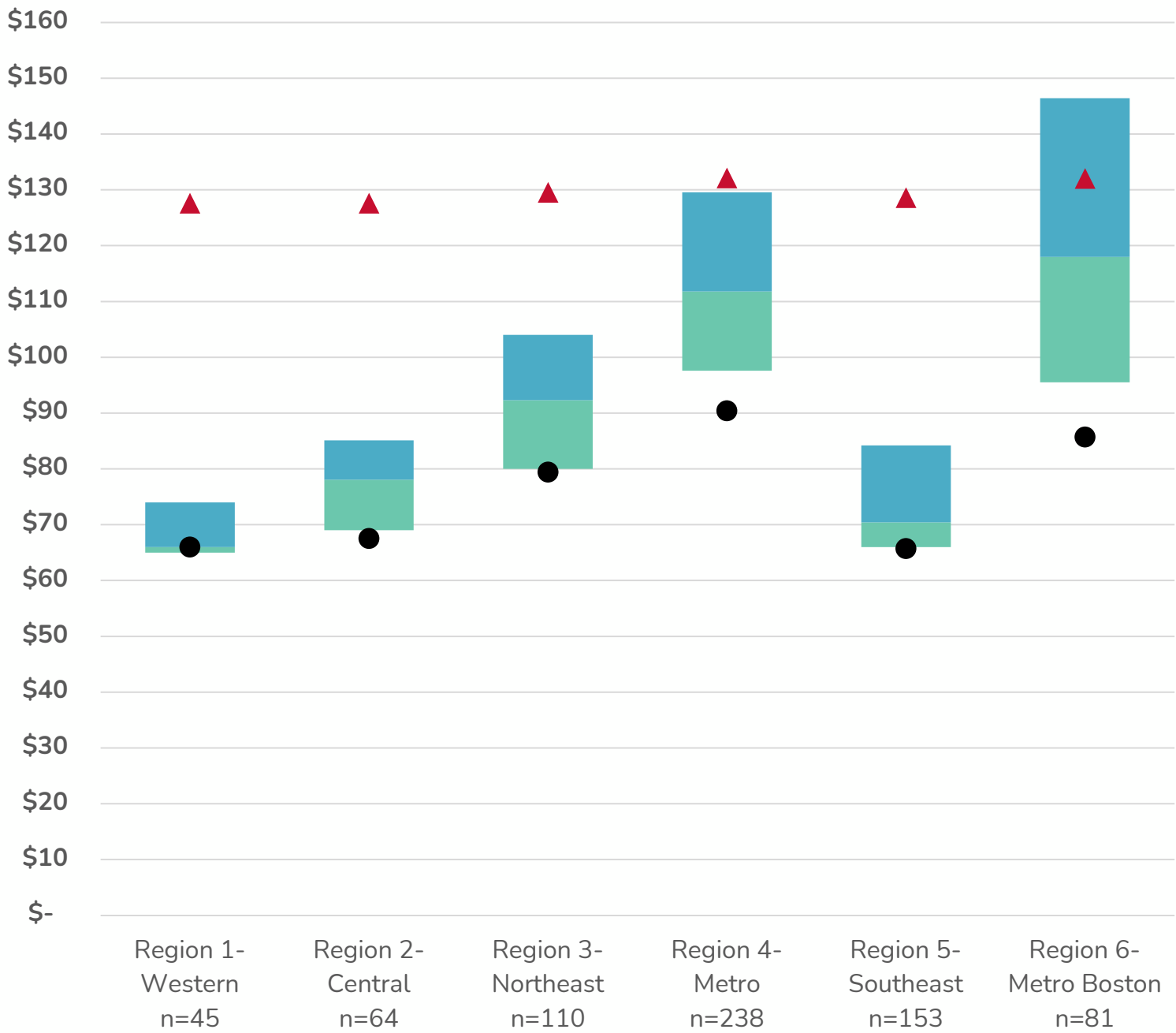
Price and cost data for FCCs also show different stories in different parts of MA

In **Western MA**, the **market prices (75<sup>th</sup> percentile) for infants & toddlers are not enough** to cover the cost of operating the program.

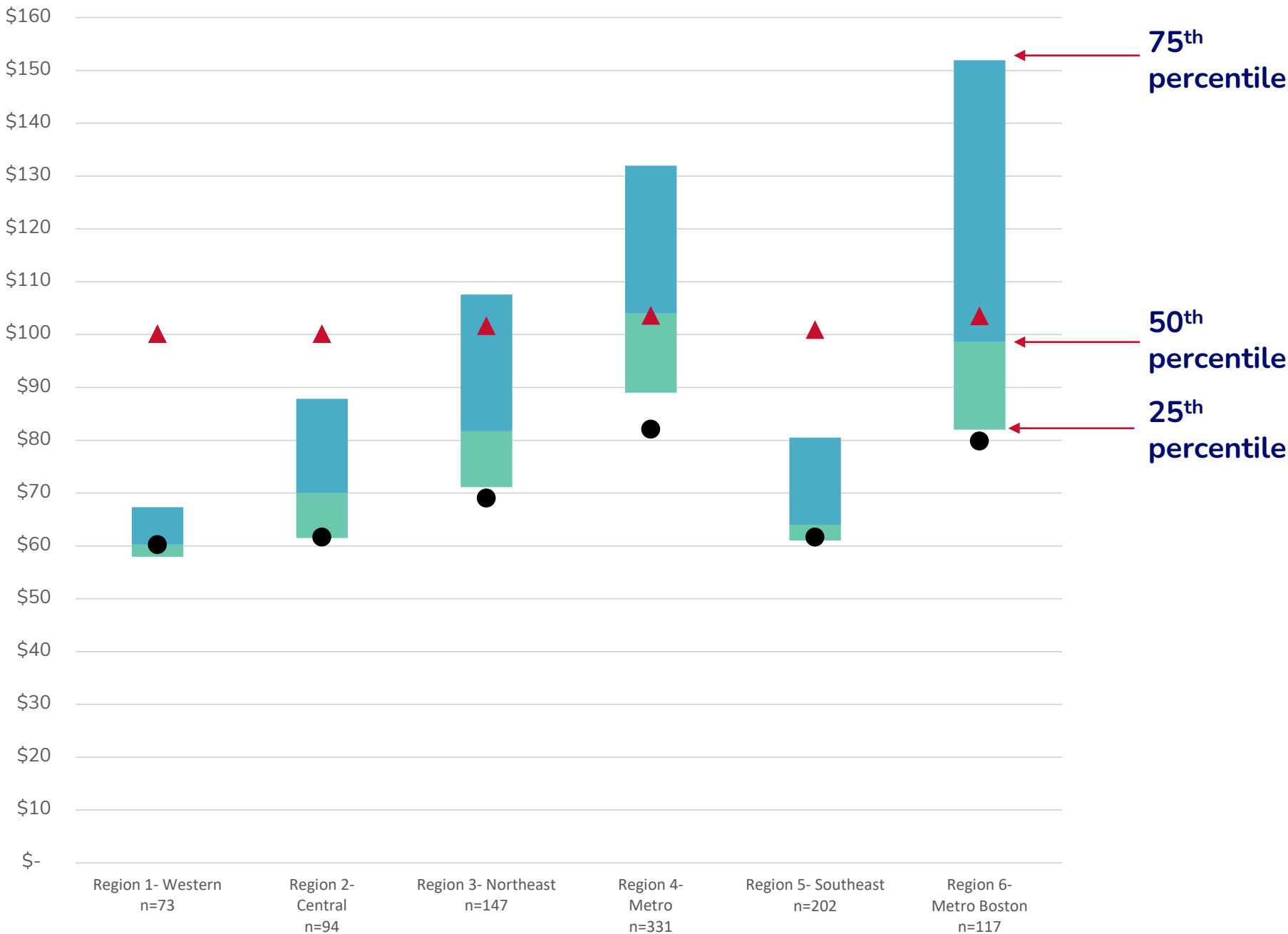
In contrast, in **Metro Boston** (and also largely in Metro and Northeast MA), **the top prices in the market do cover the estimated cost** of operating the program.

In all cases, however, the **subsidy rate is substantially lower than the cost** to operate the program.

25th to 75th Percentile Range  
Infant GSA



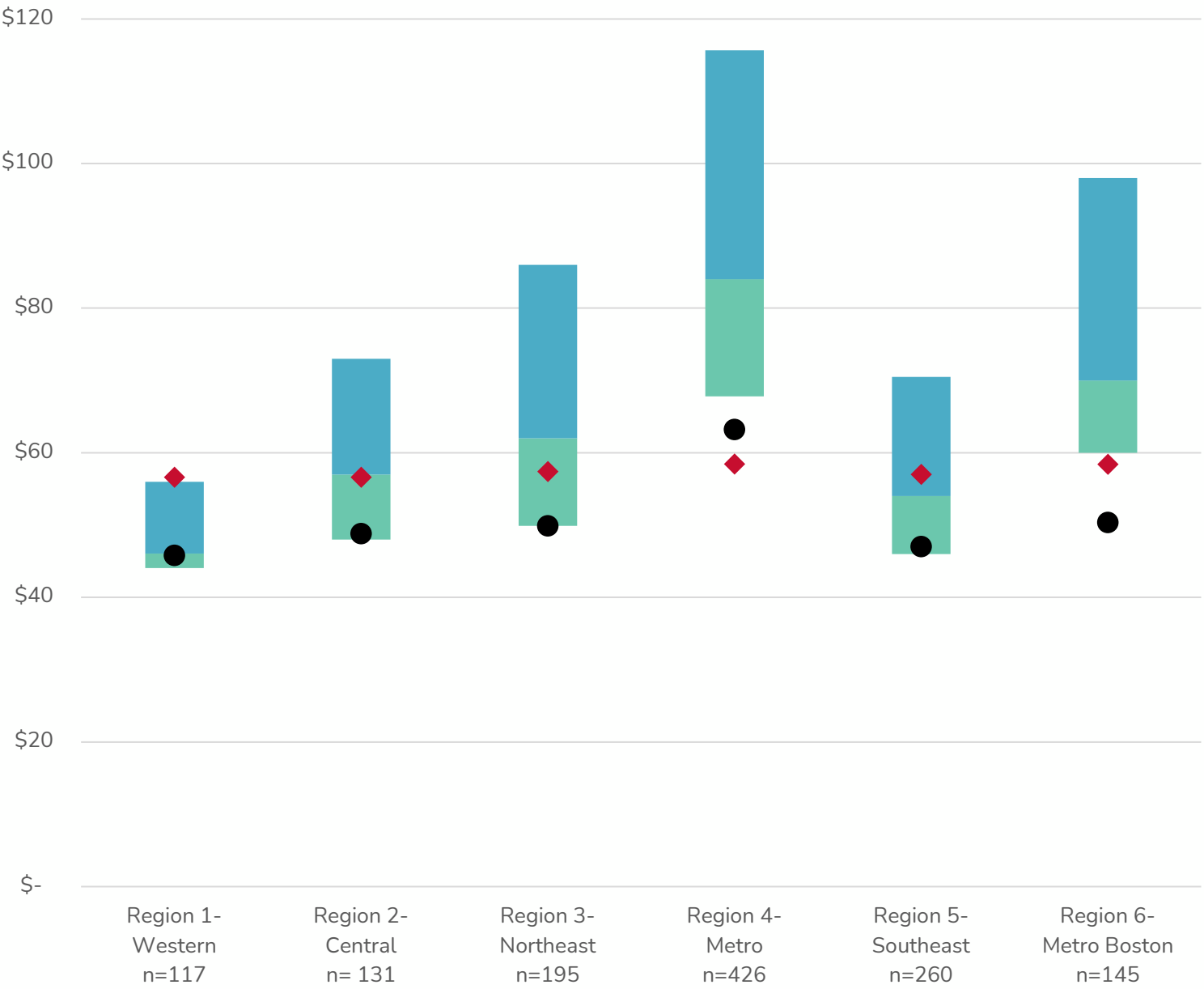
25th to 75th Percentile Range  
Toddler GSA



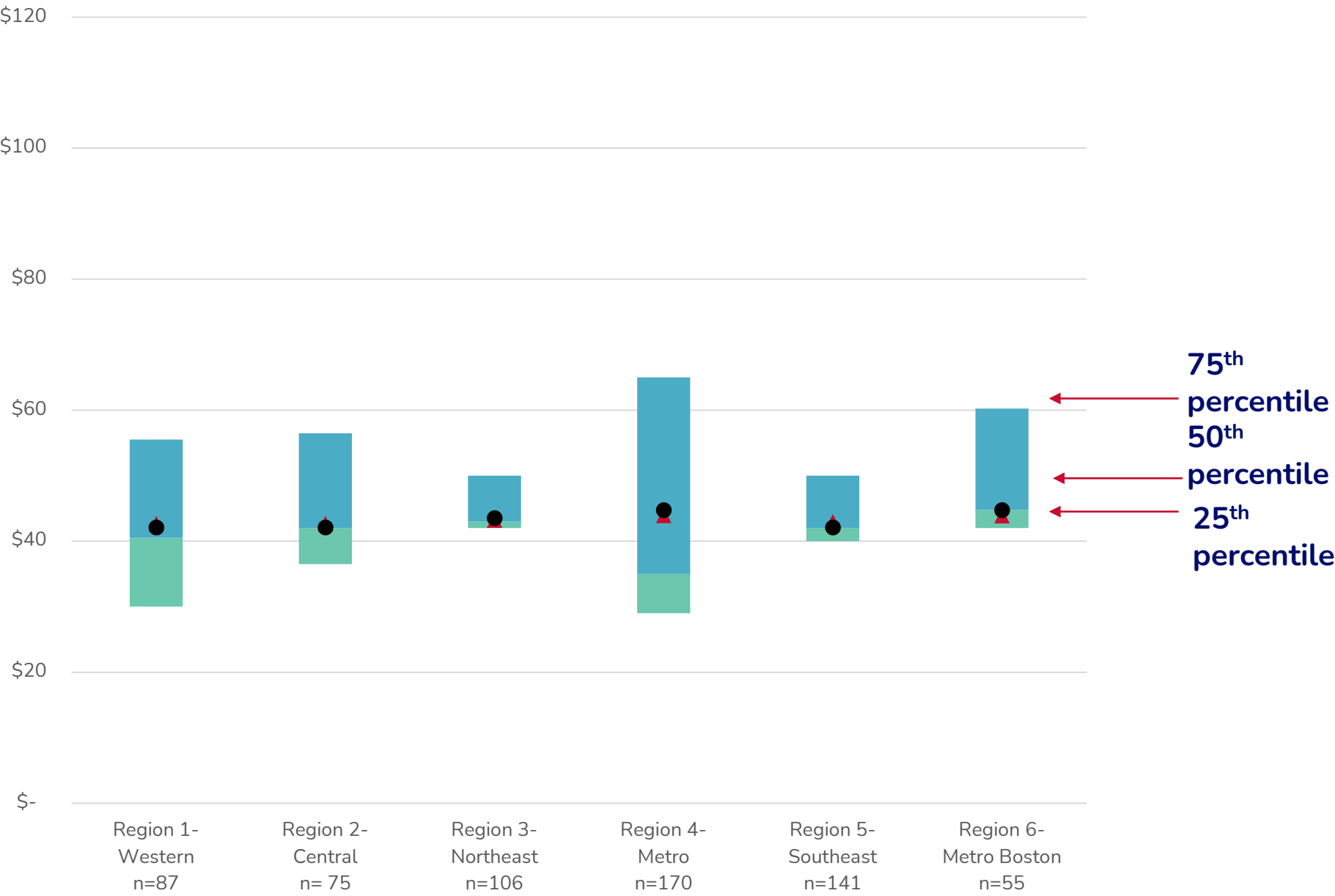
Legend

- Current EEC Subsidy Rate
- ▲ Preliminary Cost Estimate

25th to 75th Percentile Range  
Preschool GSA



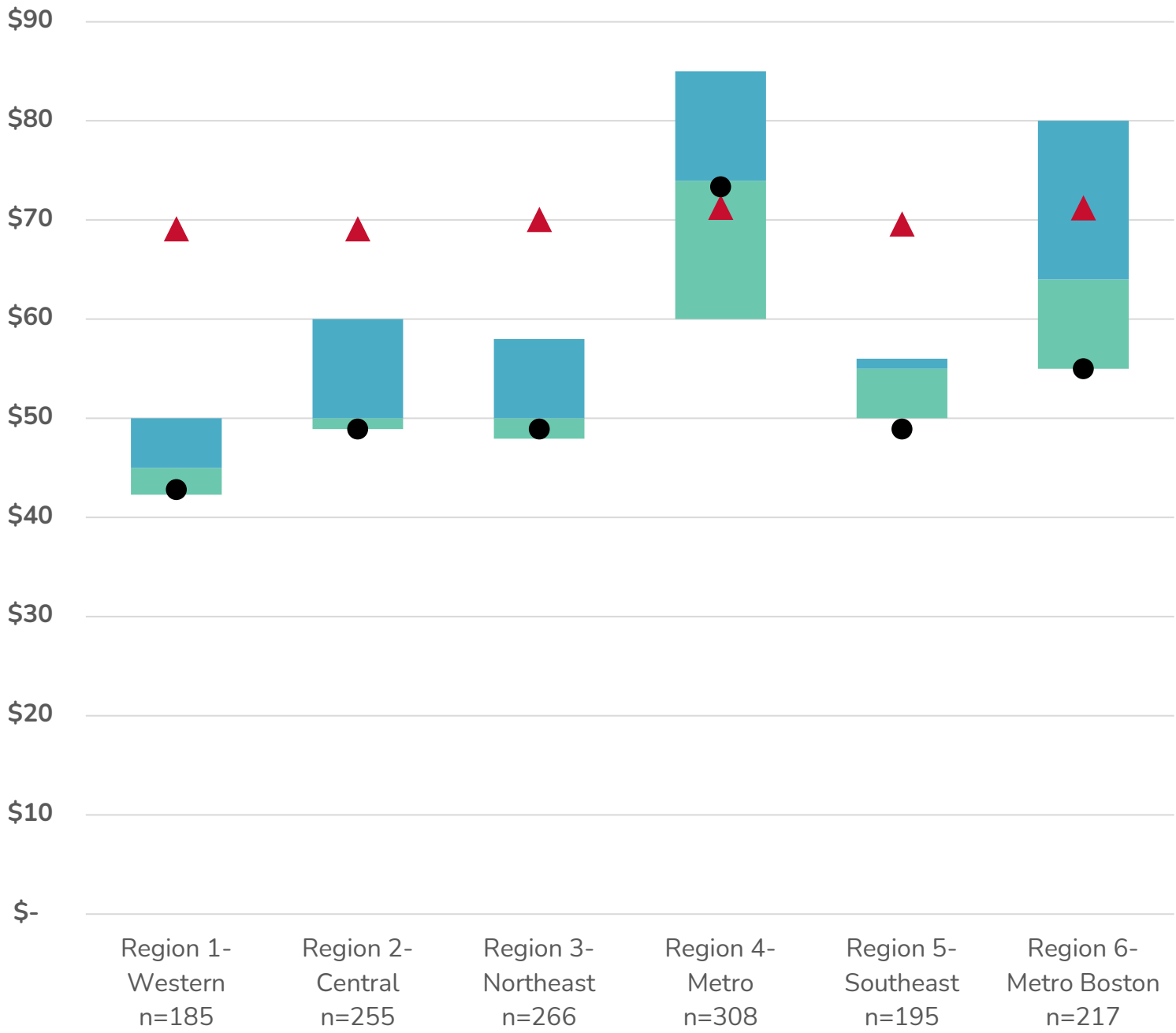
25th to 75th Percentile Range  
School Age GSA



- Legend
- Current EEC Subsidy Rate
  - ▲ Preliminary Cost Estimate



25th to 75th Percentile Range  
Infant



25th to 75th Percentile Range  
Toddler

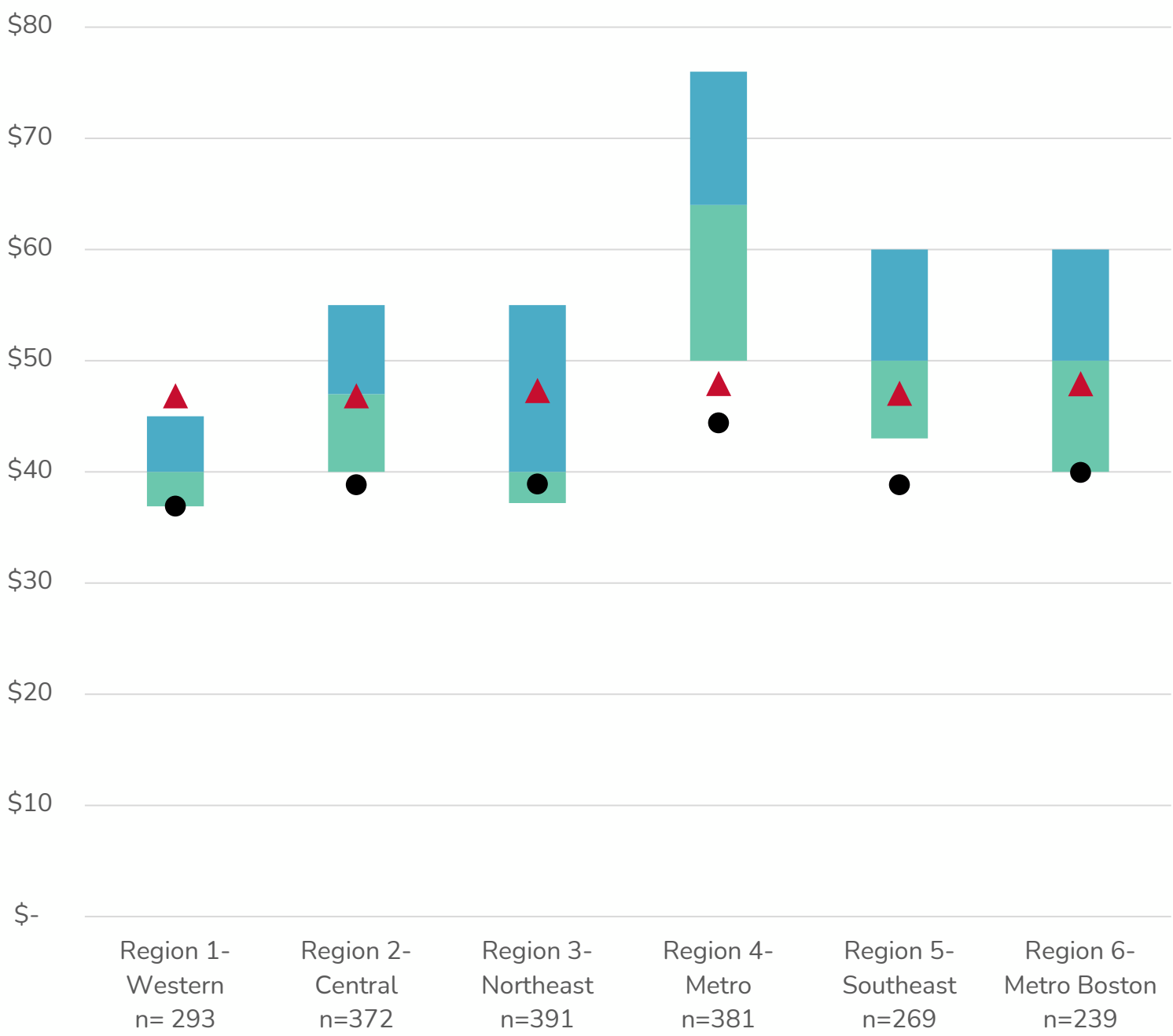


Legend

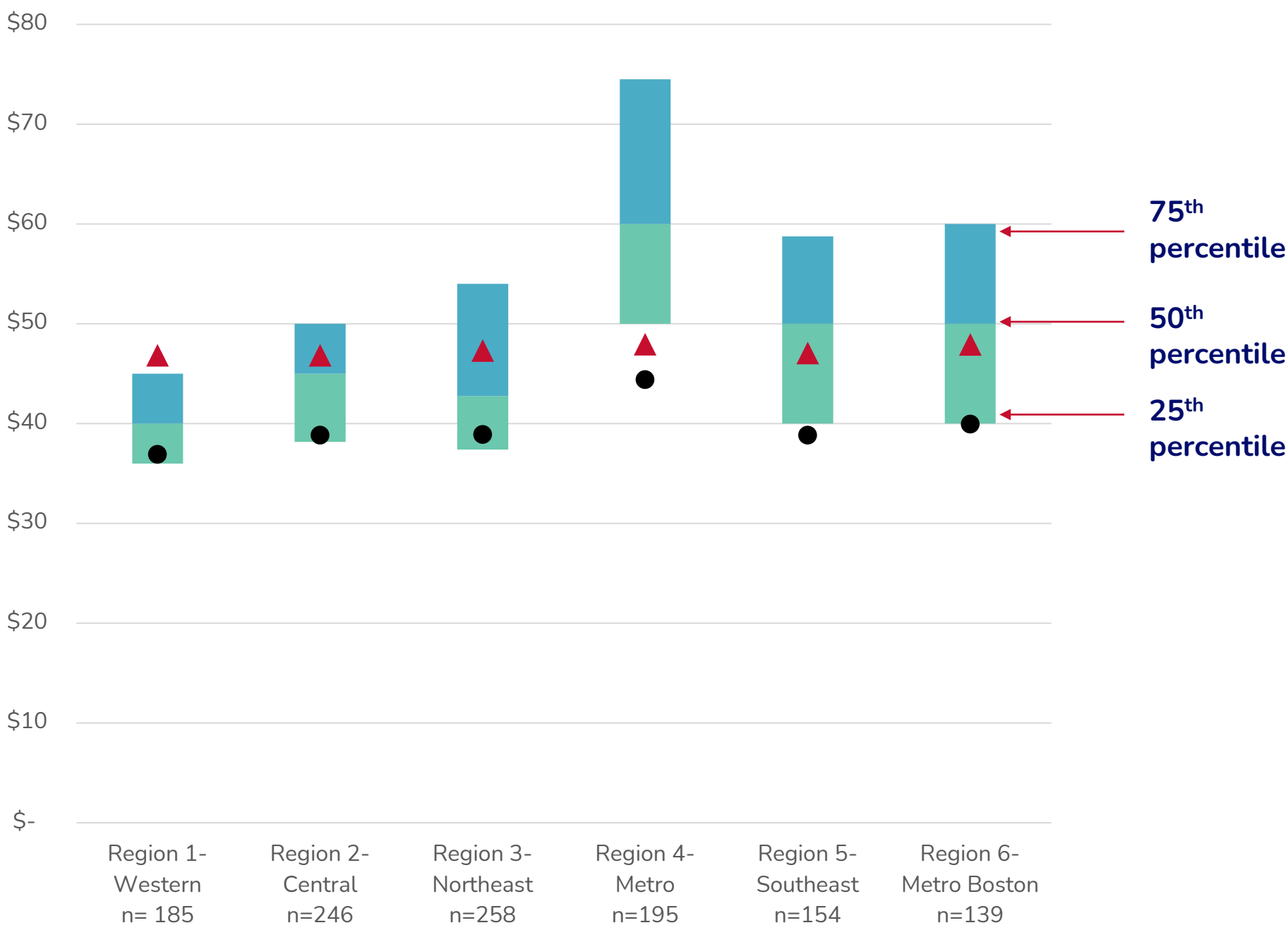
- Current EEC Subsidy Rate
- ▲ Preliminary Cost Estimate

# Family Child Care

## 25th to 75th Percentile Range Preschool



## 25th to 75th Percentile Range School Age



Legend

- Current EEC Subsidy Rate
- ▲ Preliminary Cost Estimate

# Thank you!

