

Provider Reimbursement

CCDBG Requirement

Equal Access: Requires that states conduct a market rate survey that accounts for geographic area, type of provider, and age of child or use an alternative methodology, such as a cost estimation model, and describe how payment rates will be established based on results of the survey or alternative methodology, taking into account cost of providing higher quality services. 658E(c)(4)(B). CCDF Draft Preprint 4.2.

Deadline for Compliance: September 30, 2016

California's Current Law or Practice

In California CCDBG funds are split between multiple child care programs. These programs include General Child Care, Alternative Payment, and CalWORKS Stage 3.

These programs use two different reimbursement rate systems. General Child Care utilizes the single Standard Reimbursement Rate and the remaining programs utilize the Regional Market Rate.

Points of Agreement

- Reimbursement rates in both the Regional Market Rate and Standard Reimbursement Rate have fallen far behind the cost of providing care.
- The current methodology for the Regional Market Rate Survey is flawed and fails to take into account the wide array of market factors in California.
- The Standard Reimbursement Rate has not kept up with COLAs or cost of living and inflation.
- The Standard Reimbursement Rate would benefit from regionalization to reflect the varied costs of operating throughout California.
- Over time California would benefit from merging the RMR and SRR into a single system which takes into account market costs throughout the state.
- Implementation of a single reimbursement system reflective of the current cost of care would be costly and would need a multiyear phase in plan.
- Monies to increase the reimbursement for programs shall not be at the detriment of other child development programs. Any increased amount of funding needed shall not be taken from other program budgets and shall be appropriated by the legislature.
- An increase of reimbursement rate allows for better utilization of the dollars allocated to these programs, as there will be less monies returned to the state.
- Because of the cost to increase rates to the current market the change to the system would need to be phased in.

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Points of Slight Disagreement

- If the RMR and SRR are benched to the RMR system, how much would the SRR be? 100%, 95% or 90% of the RMR?
- Would a single reimbursement system be tied to the current RMR with county data, or would it utilize broader categories: High, Medium, Medium Low, Low. How many broad categories? 4 or 5?
- Would a single reimbursement system be tied to other indicators, e.g. cost of living, Consumer Price Index?
- Could the state moved to a tiered reimbursement system based on quality? How would quality be determined?

Points of Significant Disagreement

Things to Consider/Keep in Mind

- Development of a comprehensive statewide database of licensed child care providers through the statewide Resource and Referral system would provide statewide data on rates and make the creation of a derived rate unnecessary.
- Broader categories such as 4 or 5 tiers will be easy to manage administratively rather than a county by county rate.

Estimated Cost

One Time Ongoing Cost:

RMR Cost – \$375 Million to bring the RMR Survey to the 85th Percentile of the 2014 (most recent survey)

SRR Cost - Unclear what it would cost to bring to the current cost of doing care or to 85% of the 2014 the most recent RMR survey.

Estimates of merging the two rates and bringing to current market costs would require an investment of nearly \$1billion.