



Cost Modeling Analysis & the Market Rate Survey
- Why Child Care Needs Both

MONDAY, DECEMBER 5 | 3 PM ET



Bipartisan Policy Center

Cost Model Analysis and the Market Rate Survey: Why Child Care Needs Both



December 5, 2022

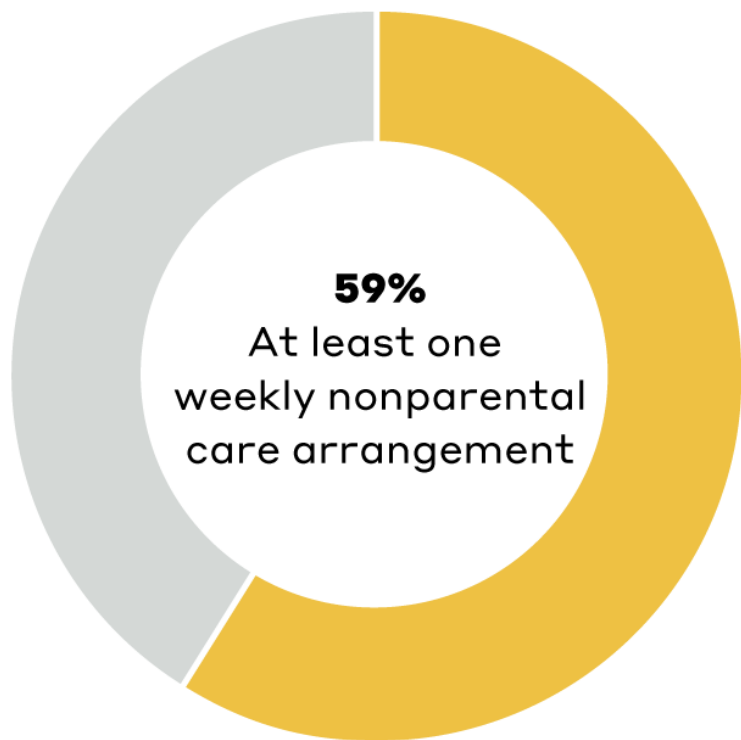
Overview

- The Child Care Business Model
- Supply and Demand Interventions in Child Care
- Use of Cost Modeling Across States
- Why Child Care Needs Cost Modeling and Market Rate Surveys
- Recommendations
- Moderated Discussion with Theresa Hawley and Sara Mead
- Questions

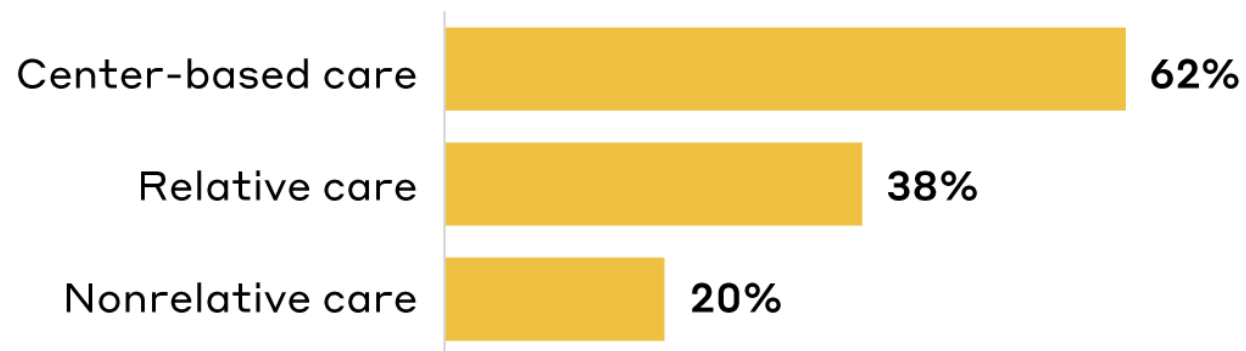


What is the “Child Care Sector”?

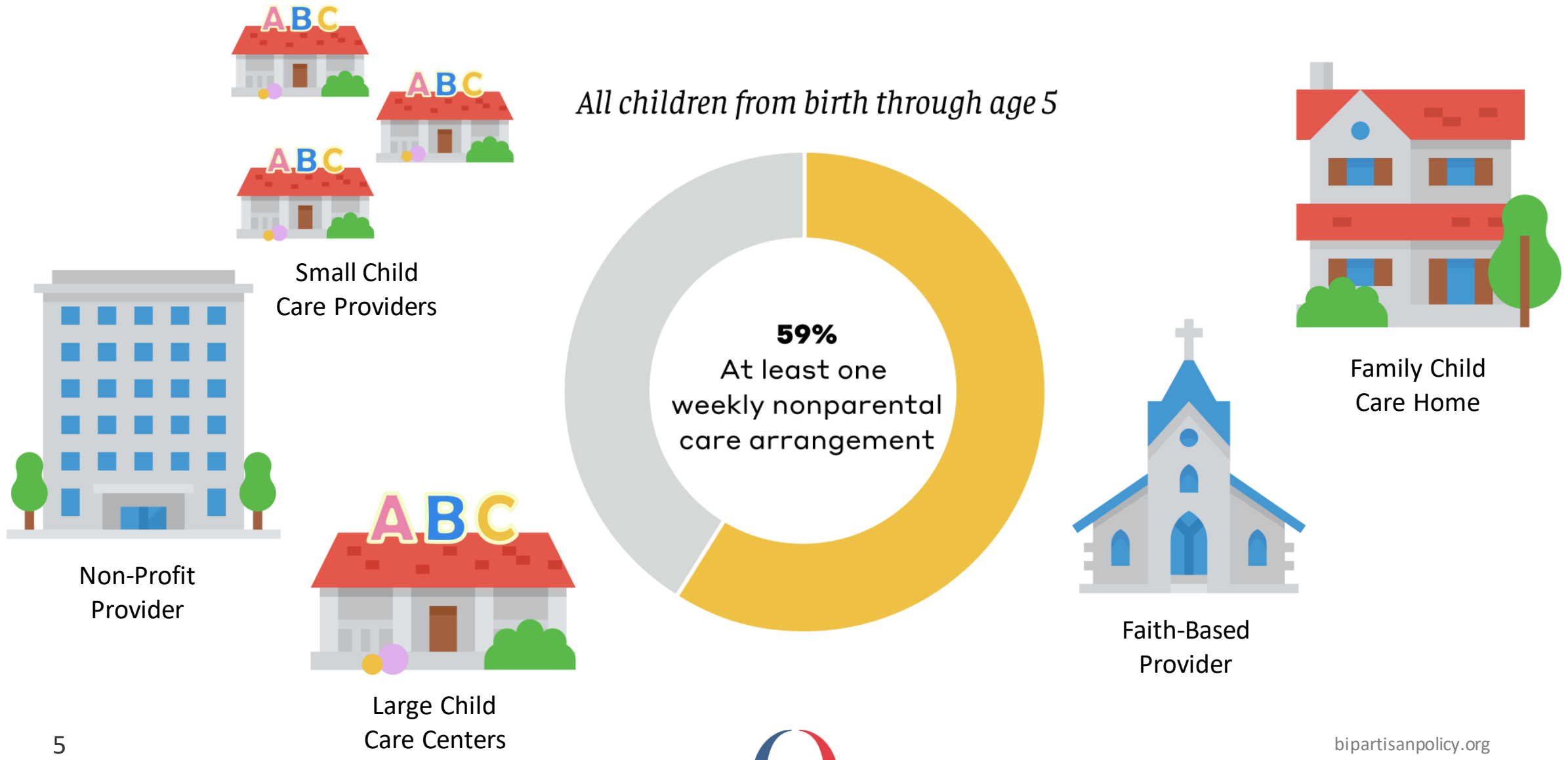
All children from birth through age 5



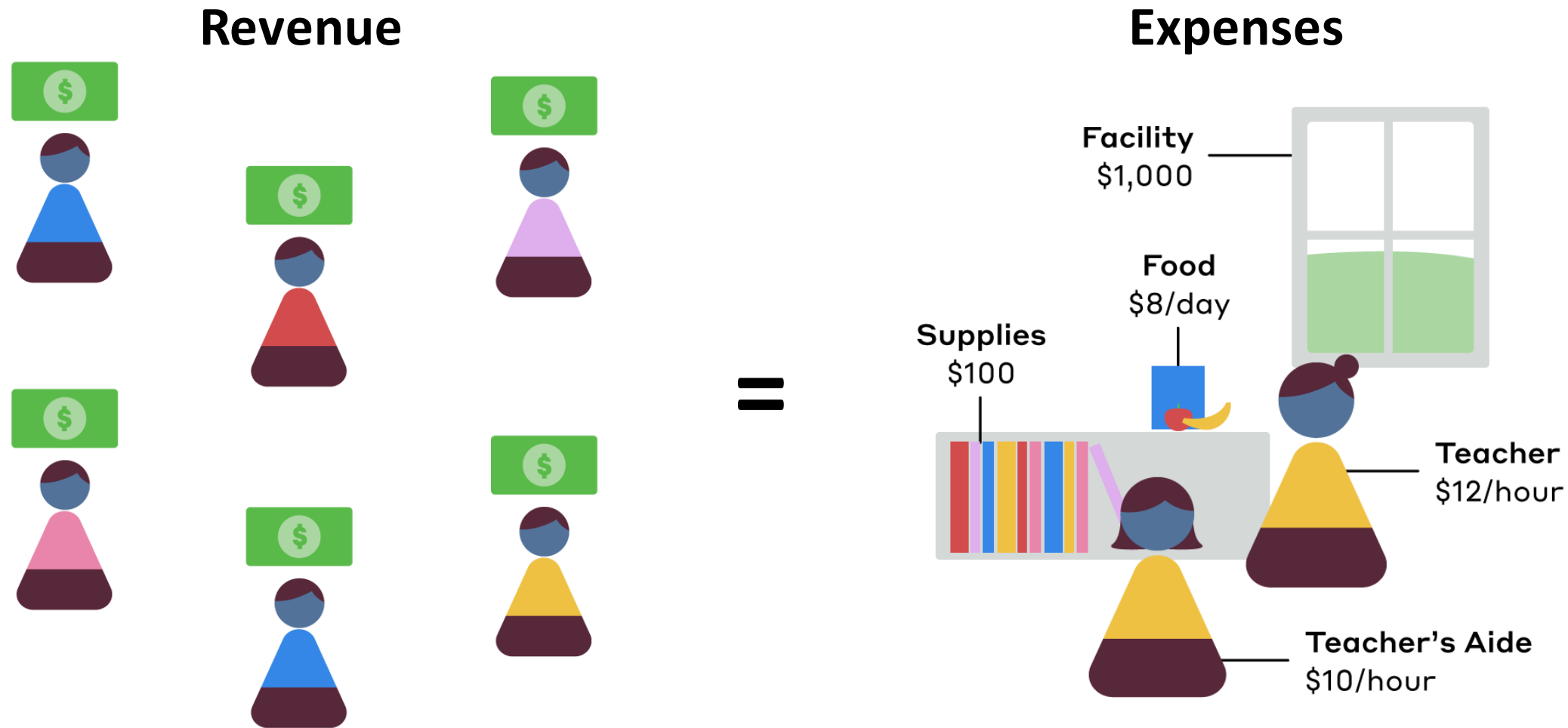
Children using nonparental care



What is the “Child Care Sector”?



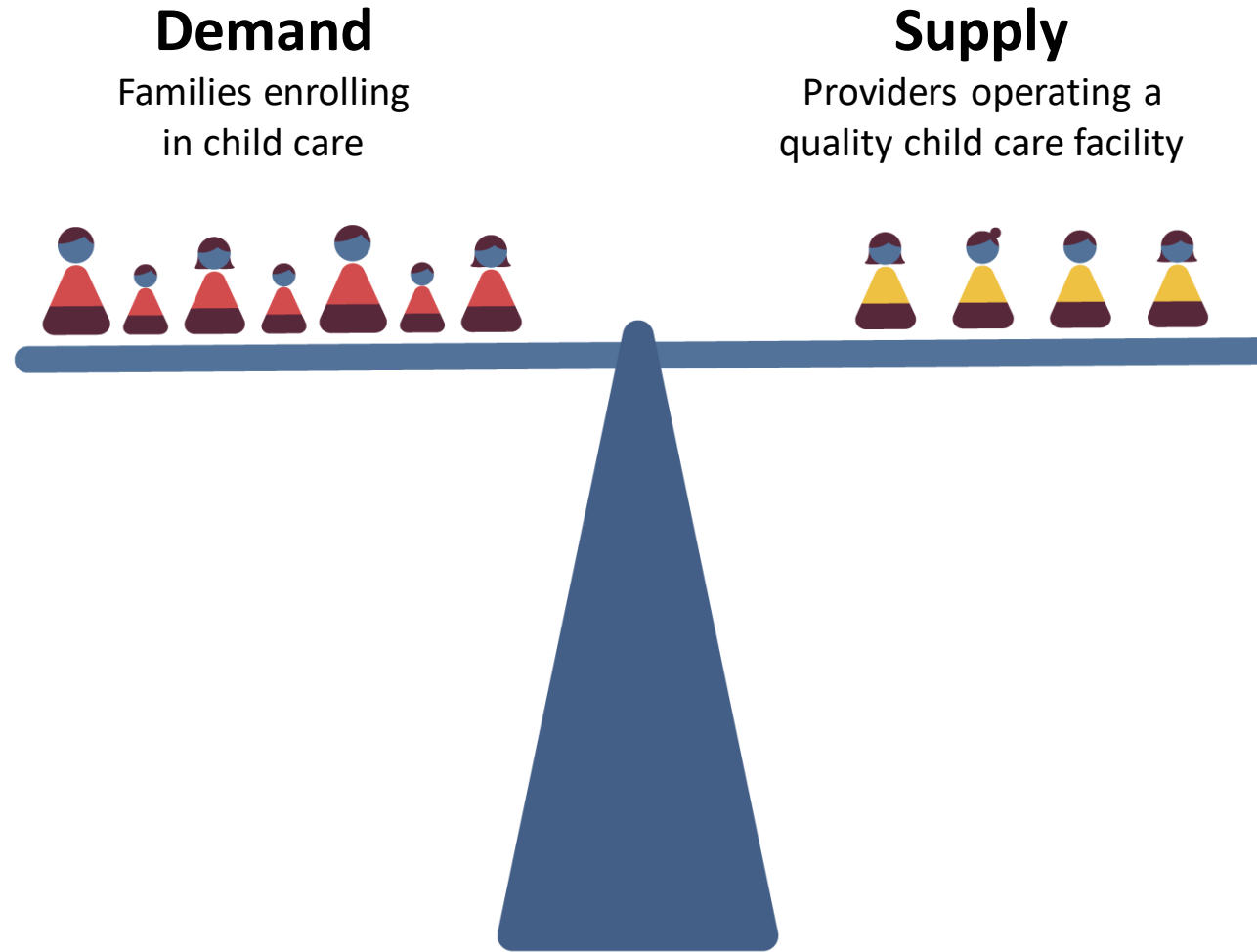
What is the Child Care Business Model?



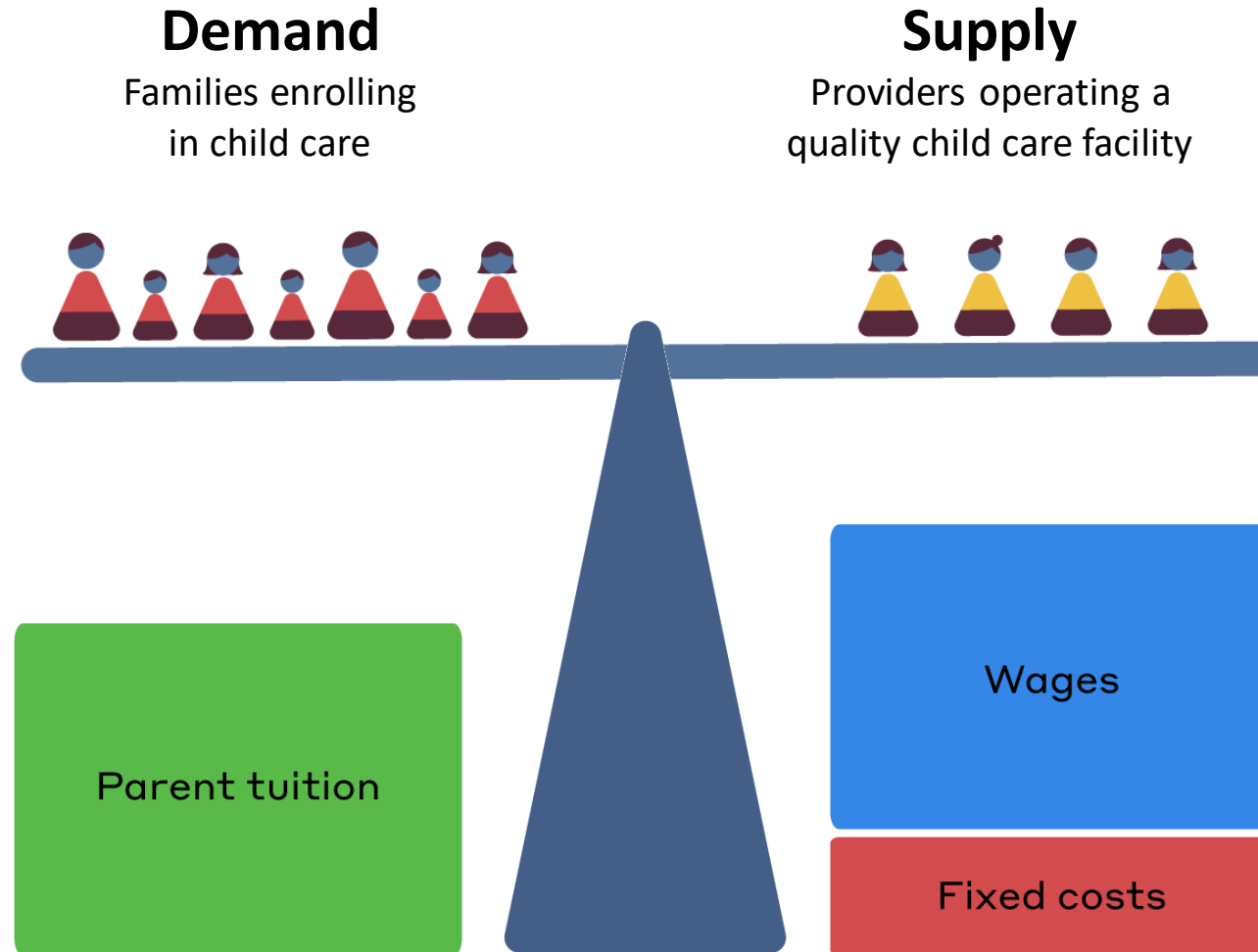
What is the Child Care Business Model?



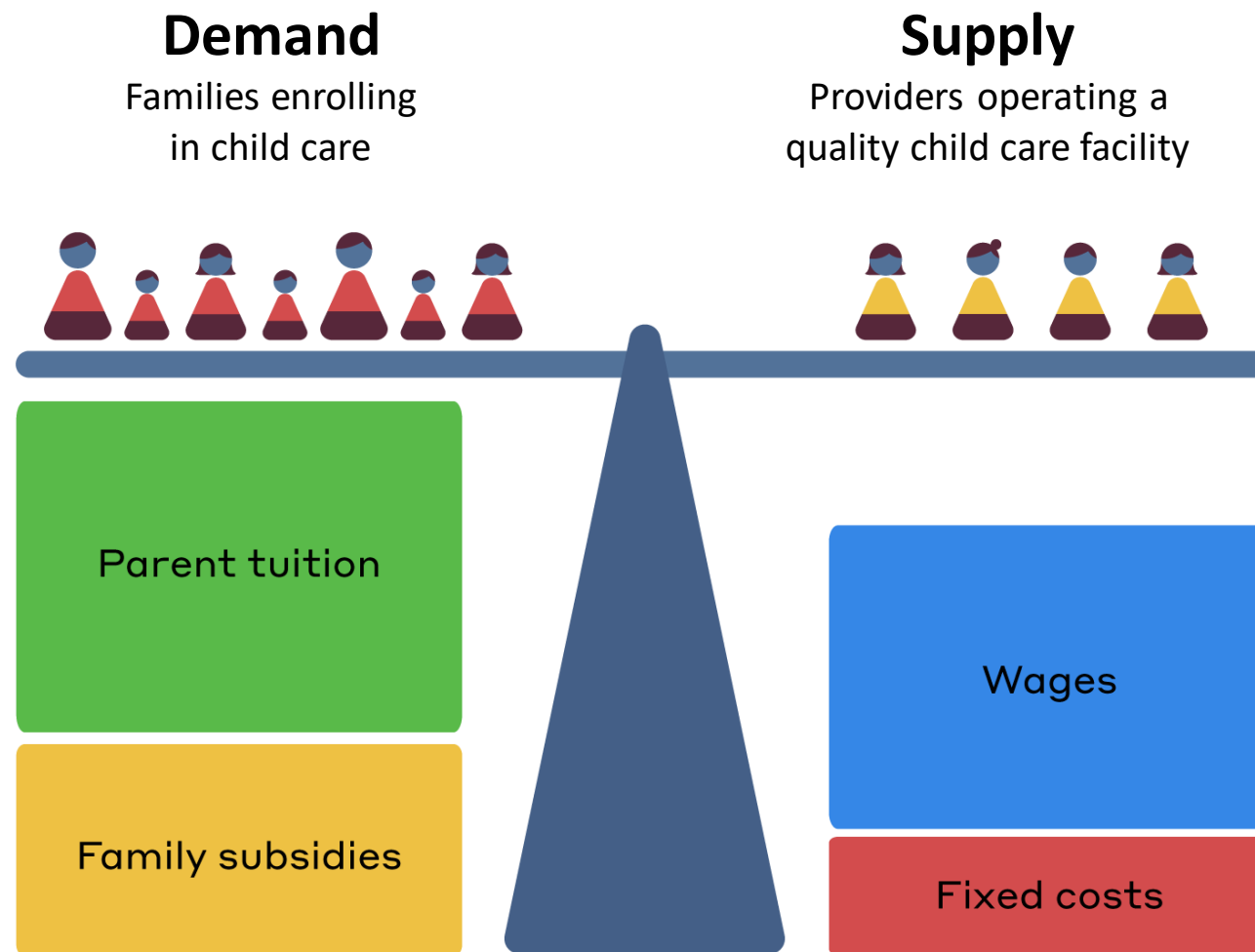
Child Care Market



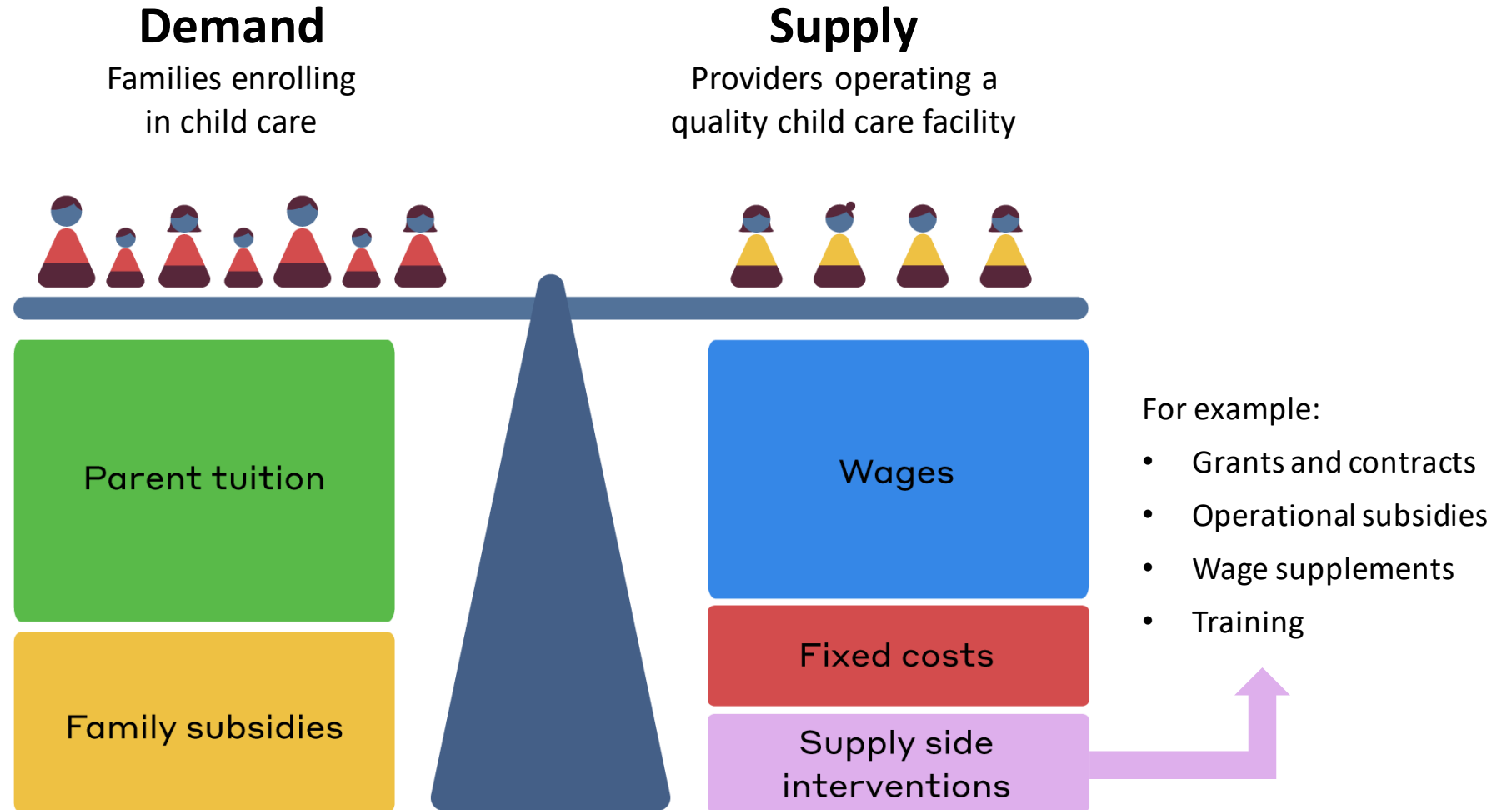
Supply and Demand for Child Care



Demand Side Interventions



Supply Side Interventions



What is a Market Rate Survey?



Family Child
Care Home
\$1,300/child



Faith-Based
Provider
\$1,500/child



Child Care
Center
\$3,500/child



Non-Profit
Provider
\$3,900/child

Average Monthly Tuition = \$4,500/child

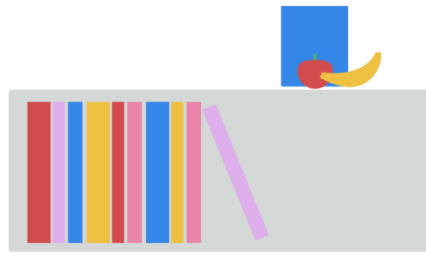


What is a Cost Model?



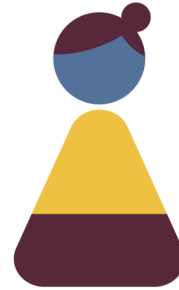
Rent
\$800/month

+



Supplies and Food
\$500/month

+



Labor
\$10/hour
\$1,600/month

Average Monthly Expenses* = \$2,900/month

*Not based on actual expenses. Not intended to represent actual cost of care.

Potential costs may include:

- Additional staff
- Staff benefits
- Administrative support
- Insurance
- Transportation
- Professional development
- Training
- Comprehensive services for families



What is a Cost Model?



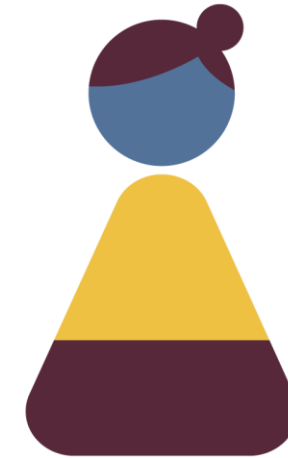
Rent
\$800/month

+



Supplies and Food
\$500/month

+



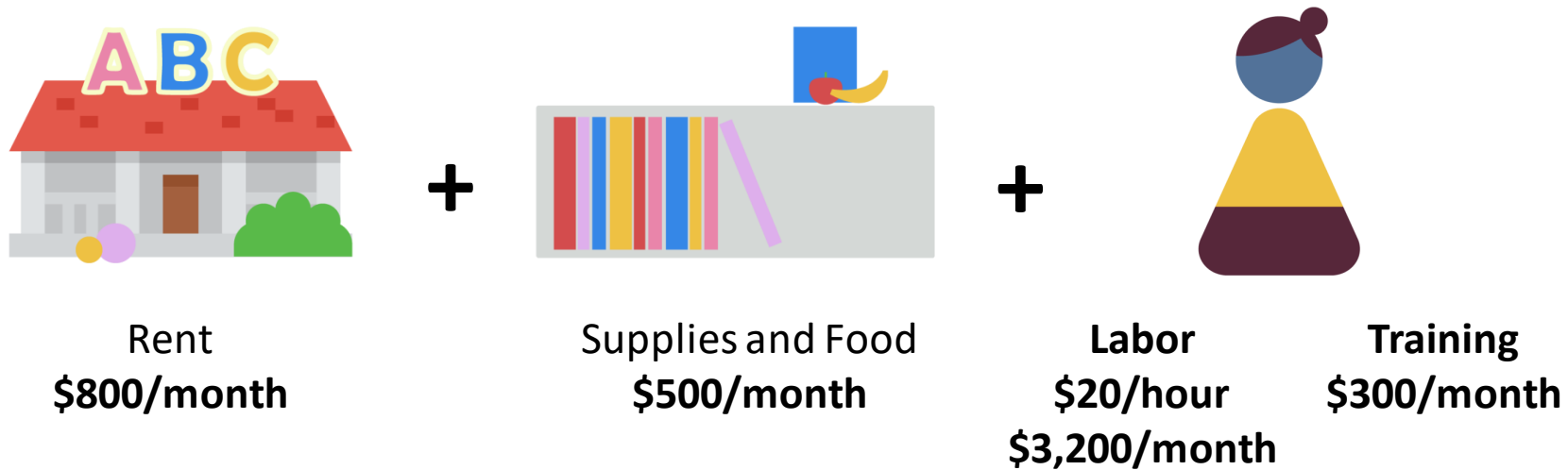
Labor \$20/hour \$3,200/month	Training \$300/month
-------------------------------------	-------------------------

Average Monthly Expenses* = \$4,800/month

*Not based on actual expenses. Not intended to represent actual cost of care.



What is a Cost Model?



$$\text{Cost per child} = \frac{\$4,800/\text{month}}{\# \text{ of enrolled children}^*}$$

*Best practice assumes 85% of site capacity enrolled.



What is a Cost Model?



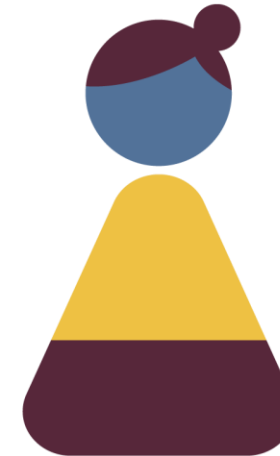
Rent
\$800/month

+



Supplies and Food
~~\$500/month~~

+



Labor
\$20/hour
\$3,200/month

Training
\$300/month

Average Monthly Expenses = **\$4,300/month**



Interventions During the Pandemic

\$52.5 Billion

Demand Side Interventions

- Increasing Subsidy Rates
- Waiving Parent Co-Pays
- Reimbursing on Enrollment vs. Attendance
- Expanding Family Eligibility for Subsidies

Supply Side Interventions

- Stabilization and Operational Grants
- Workforce Compensation Supports
- Technical Assistance & Business Training
- Workforce Scholarships and Training Access
- Child Care Desert Grants
- Facility Renovations Grants



What Data Do States Collect?

CCDBG Regulations for Child Care Market Analysis

- **Market Rate Survey:** that documents the prevailing rates being charged to families in the private market across variations in geographic area, provider type, and age
- **Narrow Cost Analysis:** Very basic cost model, estimating of the cost of operations for the average provider to meet their state's basic health and safety requirements and the higher cost of care at different levels of quality

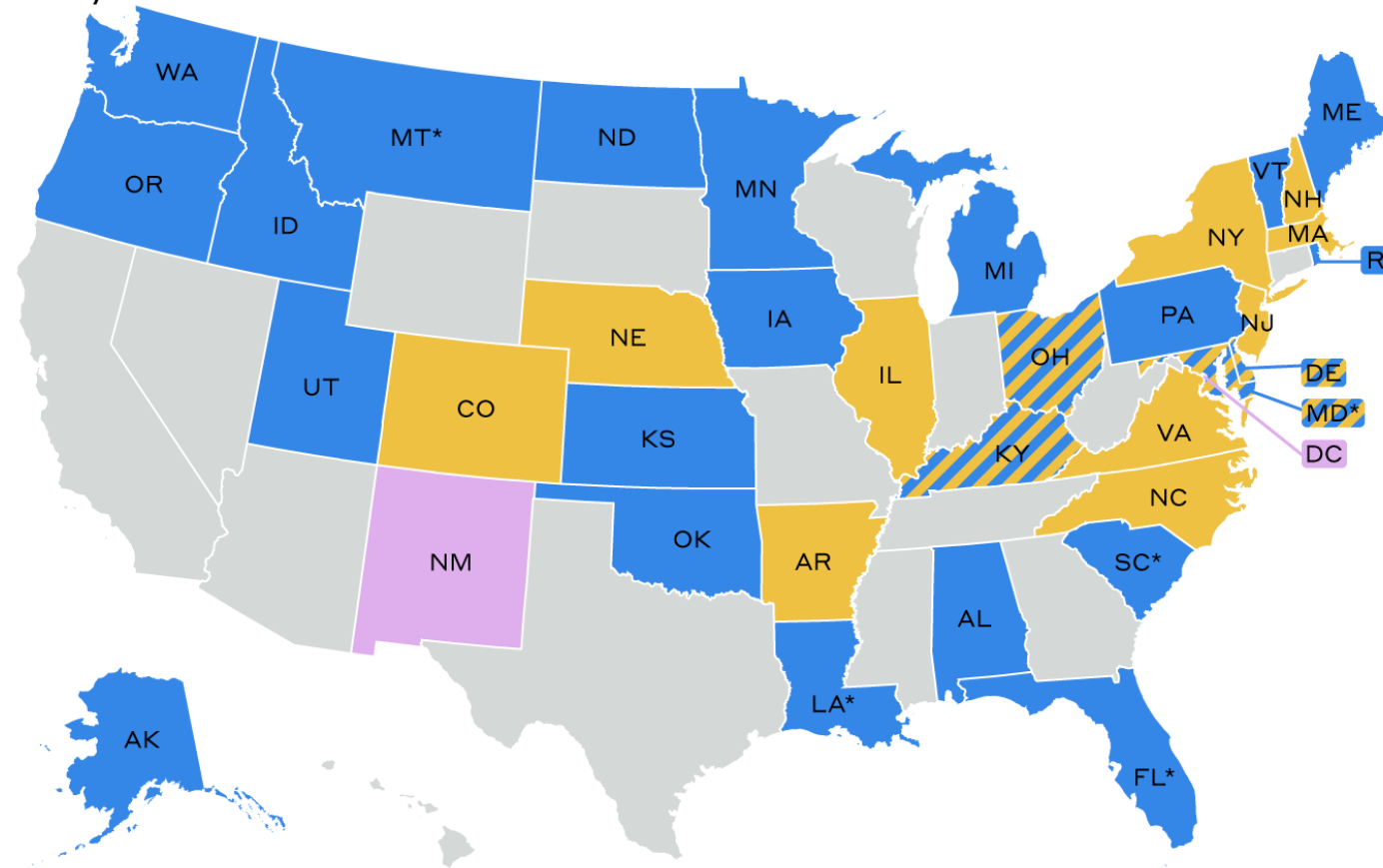
OR

- **Alternative Methodology:** States can gain approval for a cost estimation model or a cost study, which requires more intensive analysis of the true cost of care than a narrow cost analysis



Cost Modeling Across States

- Narrow Cost Analysis per CCDF State Plan
- Other
- Narrow Cost Analysis and Other
- ACF Pre-Approved Alternative Methodology
- No Cost Model Identified



*Indicated they completed a narrow cost analysis in state plan but could not be located for this analysis



Cost Modeling Across States

Cost Lever	Number of States
Provider Type	23
Quality Improvement	22
Compensation	21
Geography	19
Infants and Toddlers	18
Benefits	10
Subsidy Density	5
Special Populations	5

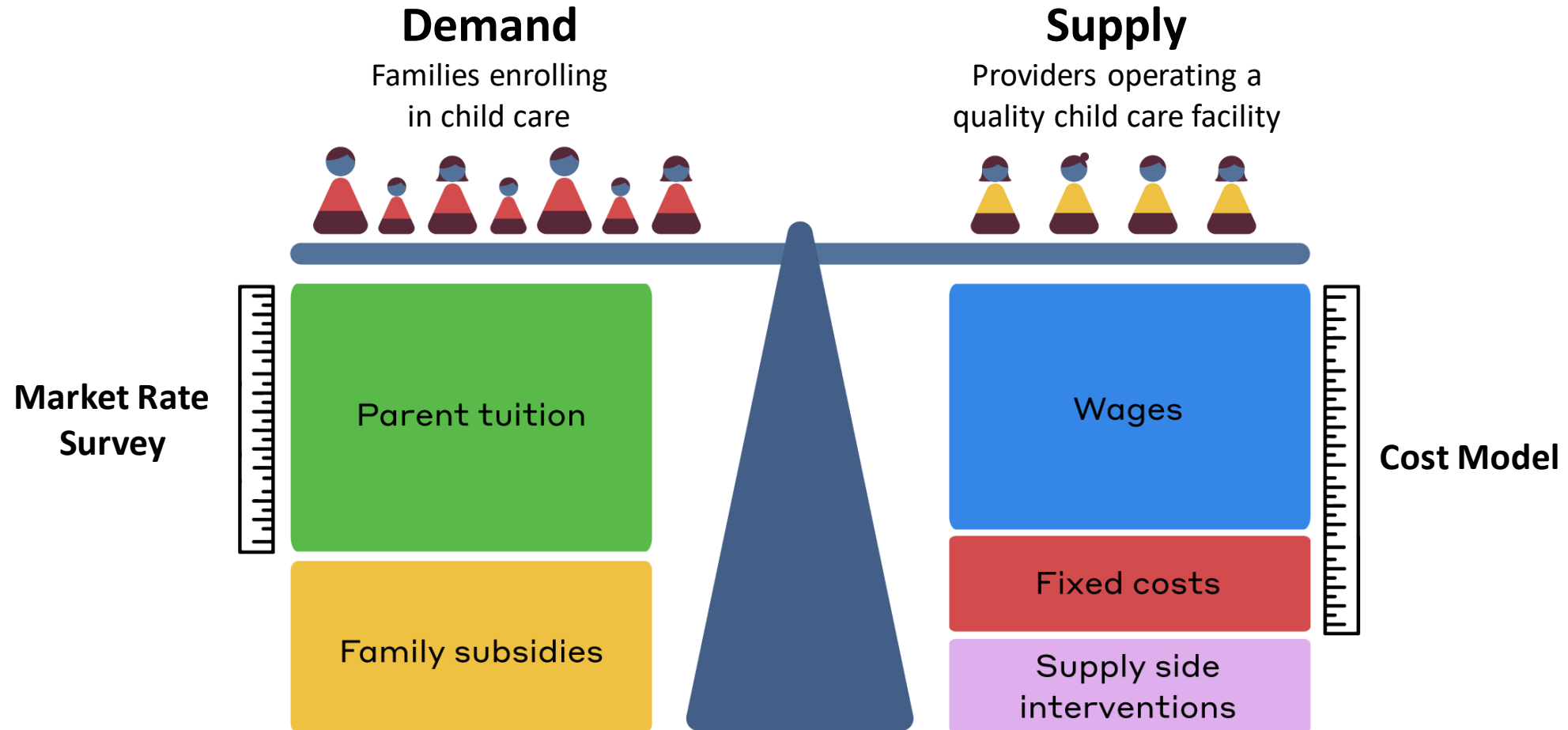


Cost Modeling Across States

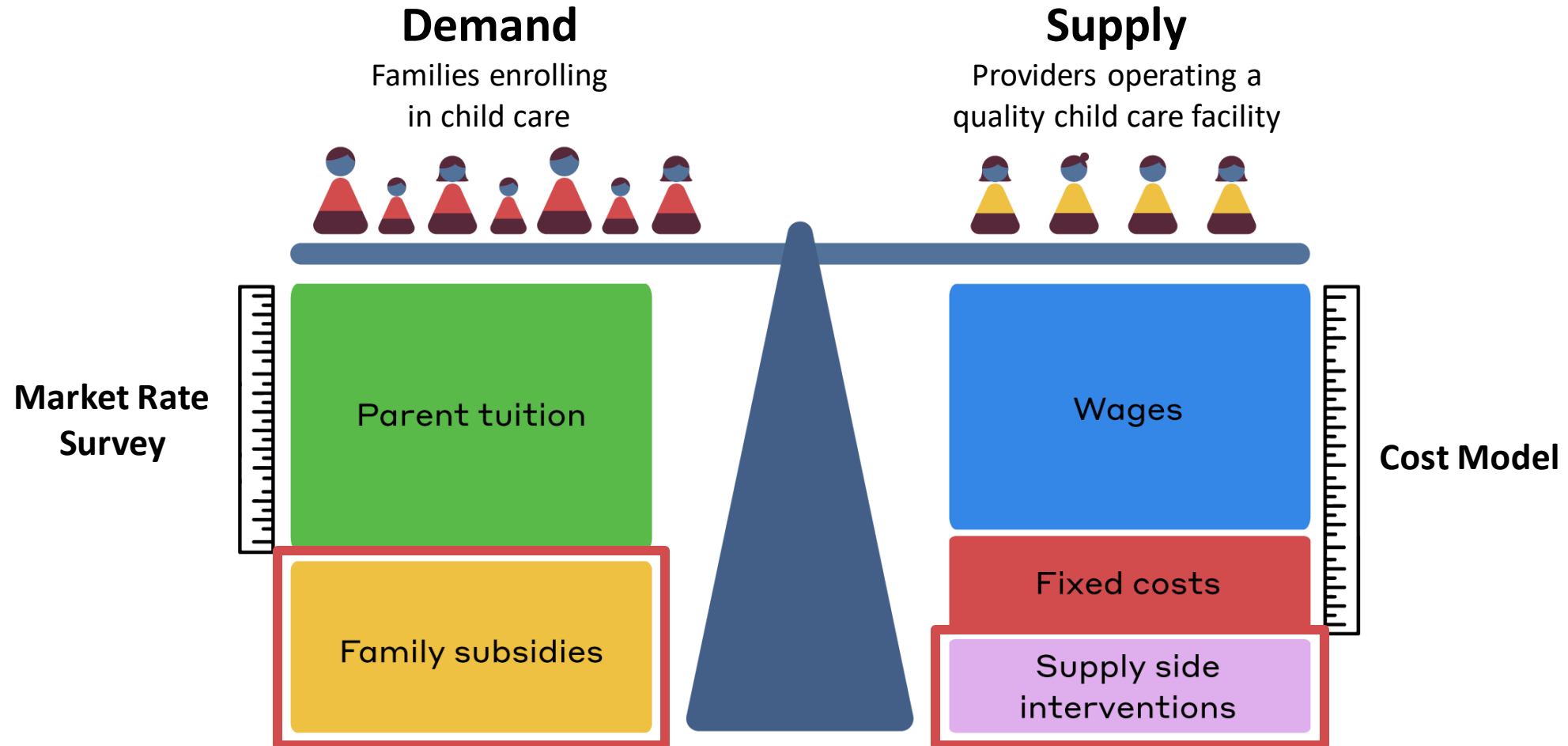
Unit of Analysis	Number of States
Cost per Child	28
Provider Cost	14
System Cost	6
Cost vs. Market/Subsidy Rate	16
Cost vs. Revenue	6
Financial Sustainability	4



Why We Need Both: Cost Models and the Market Rate Survey



Why We Need Both: Cost Models and the Market Rate Survey



Recommendations

Congress

Broaden federal requirements beyond market rate studies

State Government

Use cost modeling more effectively

Cost Modelers

Develop industry principles to use in cost modeling strategies



Upcoming Webinars

JAN
12

State Governance Report 2023 Updates

THURSDAY JANUARY 12 AT 3:00PM ET

JAN
23

Building Supply, Enhancing Quality, and Advancing Equity: The Early Head Start-Child Care Partnership Series

With Arizona State University and Start Early

MONDAY JANUARY 23 AT 3:00PM ET

FEB
21

Parent Choice Surveys: What We've Learned

TUESDAY FEBRUARY 21 AT 3:00PM ET

