QRIS National Meeting
July 2014

Policy Changes Using the Results of Calculating the Cost of Quality from the Provider Perspective

Leanne Barrett, Todd Klunk, Anne Mitchell, Simon Workman
Provider Cost of Quality Calculator (PCQC)

Anne Mitchell, Early Childhood Policy Research
Simon Workman, APA Consulting
What is the PCQC?

- Interactive web-based tool, to help answer policy questions about the cost of early childhood programs

- Models typical Early Learning programs – centers, schools and homes

- Matches structure of QRIS – 5 levels of quality, personnel and non-personnel factors

- Data-based approach to estimating the cost of quality – quality of data input is important
PCQC Demonstration

www.ecequalitycalculator.com
Pennsylvania’s Rising STARS

Todd Klunk
W.K. Kellogg Foundation
## Financial Impacts Using the QRIS Cost Model for PA

<table>
<thead>
<tr>
<th>Star</th>
<th>Expense</th>
<th>Revenue</th>
<th>Profit/(Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Star 1</td>
<td>$658,865</td>
<td>$669,292</td>
<td>$10,427</td>
</tr>
<tr>
<td>Star 2</td>
<td>$695,172</td>
<td>$695,877</td>
<td>$705</td>
</tr>
<tr>
<td>Star 3</td>
<td>$743,166</td>
<td>$729,501</td>
<td>($13,665)</td>
</tr>
<tr>
<td>Star 4</td>
<td>$797,967</td>
<td>$749,424</td>
<td>($48,543)</td>
</tr>
</tbody>
</table>
Keystone STARS Provider Participation
June 2010–July 2012

# Providers

Start with STARS
Star 1
Star 2
Star 3
Star 4
Children in Child Care Works Receiving Care in Keystone STARS
June 2010–June 2012

# Children

- No STAR Level
- Star 1
- Star 2
- Star 3
- Star 4
Redesign of Awards

- Increase minimum “at-risk” Full-Time Equivalent requirement from 5% to 10%
- Eliminate Start with STARS which was not recognized as a Keystone STARS quality level
- Target grants to selected communities and selected providers for more intensive case management and technical assistance
- Implement a single grant award structure for STARS 2–4 grant awards

An effective finance strategy is not just about additional funds; it is also about redirecting existing funds to meet our policy objectives
Shifting funds from Grants to Reimbursements allows the provider more flexibility and ongoing incentives for enrolling at-risk children.
Part-Time Tiered Reimbursement
January 1, 2013

![Bar chart showing reimbursement levels for different tiers.](chart.png)
# Full-Time Tiered Reimbursement

Governor’s Initiative

<table>
<thead>
<tr>
<th></th>
<th>Additional Tiered Reimbursement Amounts effective 7/1/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>STAR 1</td>
</tr>
<tr>
<td>Full-Time</td>
<td></td>
</tr>
<tr>
<td>Part-Time</td>
<td></td>
</tr>
</tbody>
</table>
## New Tiered Amounts

<table>
<thead>
<tr>
<th>Tiered Reimbursement Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR 1</td>
</tr>
<tr>
<td>Full-Time</td>
</tr>
<tr>
<td>Part-Time</td>
</tr>
</tbody>
</table>
Rhode Island: Cost of Quality Early Learning Programs

Leanne Barrett
Rhode Island KIDS COUNT
Financial Resources Vary by Program

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Per Child</th>
<th>Per Child/Per Day</th>
<th>Per Child/Per Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhode Island CCAP Payments for Centers - Infant</td>
<td>Up to $188/week*</td>
<td>$37.60*</td>
<td>$3.76 (10 hour day)*</td>
</tr>
<tr>
<td>Rhode Island CCAP Payments for Centers - Preschool</td>
<td>Up to $157/week*</td>
<td>$31.40*</td>
<td>$3.14 (10 hour day)*</td>
</tr>
<tr>
<td>Rhode Island CCAP Payments for Family Child Care - Infant</td>
<td>Up to $155/week*</td>
<td>$31.00*</td>
<td>$3.10 (10 hour day)*</td>
</tr>
<tr>
<td>Average Private Pay Child Care for Infant in Center</td>
<td>$224.06/week</td>
<td>$44.81</td>
<td>$4.48 (10 hour day)</td>
</tr>
<tr>
<td>Average Private Pay Child Care for Preschooler in Center</td>
<td>$182.51/week</td>
<td>$36.50</td>
<td>$3.65 (10 hour day)</td>
</tr>
<tr>
<td>Average Private Pay Child Care for Infant in Family Child Care</td>
<td>$171.37/week</td>
<td>$34.27</td>
<td>$3.43 (10 hour day)</td>
</tr>
<tr>
<td>Rhode Island State Pre-K</td>
<td>$9,300/school year</td>
<td>$51.67</td>
<td>$8.61 (6 hour day)</td>
</tr>
<tr>
<td>Federal Head Start Funding for Rhode Island</td>
<td>$8,188/school year**</td>
<td>$45.49**</td>
<td>$11.37 (4 hour day)**</td>
</tr>
<tr>
<td>K-12 Public School</td>
<td>$17,432/school year</td>
<td>$96.84</td>
<td>$16.14 (6 hour day)</td>
</tr>
</tbody>
</table>
Identified a need to better understand the cost of operating a program at different levels in BrightStars.

Retained Anne Mitchell to conduct study/financial analysis of Cost of Quality.

Goals:
- Increase the number of programs participating in BrightStars
- Increase the number of programs (particularly those serving children with High Needs) that can achieve and maintain Star 4 or Star 5 ratings
- Ensure low-income infants and toddlers have access to high-quality care
- Maintain affordable family contributions as a revenue source
Rhode Island’s RTT–ELC Quality Improvement Strategies

- BrightStars Participation Incentives
- Program Quality Improvement Grants
- Quality Awards
- Professional Development/Technical Assistance
- Higher Education (T.E.A.C.H. and CCRI specialists program)
What We Learned

- Program size matters (small programs struggle at all quality levels).
- Ages of children matter (infants are very expensive to serve).
- Program funding source matters (Head Start and State Pre-K funding is more stable/robust and tied to quality standards compared with CCAP funding and private pay).
- Most programs can meet Star 1 or Star 2 standards with existing resources (no “quality gap”).
- Programs may make more money by staying at Star 1 or Star 2 (financial disincentive to increasing quality).
- Programs serving infants need powerful supports and incentives to achieve higher quality levels.
Figure 1. Annual Net Revenue per Child (across ages) by Star Level at 85% Full Enrollment

All 20% CCAP/80% private tuition
Age and Size Conditions vary:
A = 58 children; 1 class each of ones, twos, threes and fours
B = 78 children; 1 class each of ones, twos, threes and 2 classes of fours
C = 146 children; 1 class of ones, 2 of twos, 3 classes each of threes and fours
D = 100 children; no infants, 2 classes each of twos, threes and fours
All 20% CCAP/80% private tuition with Quality Award and CCAP I–T Bonus; Age and Size Conditions vary:

A = 58 children; 1 class each of ones, twos, threes and fours
B = 78 children; 1 class each of ones, twos, threes and 2 classes of fours
C = 146 children; 1 class of ones, 2 of twos, 3 classes each of threes and fours
D = 100 children; no infants, 2 classes each of twos, threes and fours
Figure 3. Net Annual Revenue for Family Child Care Providers at 85% Full Enrollment Compared to Minimum Wage and Child Care Worker Wage
Figure 4. Net Annual Revenue for Family Child Care Providers at 85% Full Enrollment Compared to Minimum Wage and Child Care Worker Wage with Quality Award and CCAP Infant–Toddler Bonus for Star 3 through Star 5
Quality Awards

Availability: Beginning July 2013

Eligibility:

- Must participate in BrightStars
- Must have a minimum of 10% CCAP enrollment
- Must have a Quality Rating of 3, 4, or 5 stars

Two Part Award Structure:

- Base Award – based on the quality rating of the program and the total enrollment of children under age 6.
- CCAP Infant–Toddler Incentive – based on the quality rating of the program and the enrollment of CCAP infants and toddlers.
## Center Based Quality Awards

### Base Award

<table>
<thead>
<tr>
<th>Quality Rating</th>
<th>Annual Cost per Child</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Star</td>
<td>$50</td>
</tr>
<tr>
<td>4 Star</td>
<td>$150</td>
</tr>
<tr>
<td>5 Star</td>
<td>$500</td>
</tr>
</tbody>
</table>

### CCAP Infant/Toddler Incentive

<table>
<thead>
<tr>
<th>Quality Rating</th>
<th>Annual Cost per Child</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Star</td>
<td>$100</td>
</tr>
<tr>
<td>4 Star</td>
<td>$300</td>
</tr>
<tr>
<td>5 Star</td>
<td>$500</td>
</tr>
</tbody>
</table>

Relevant enrollment numbers are multiplied by annual per child cost, then divided by 12 to determine the amount of a program’s monthly award.
Quality Awards

- Program completes Quality Award Application each month, reflecting enrollment data and star rating for the previous month (as of the 15th day).

- DHS will review and verify application data.

- Program must be in compliance with DCYF licensing to receive award.

- School year programs will be ineligible for awards during the months of July and August.

- At no time shall a program receive an award based on a per child calculation that exceeds their DCYF licensed capacity (infants, toddlers, preschoolers).

- School Age children and children in State funded Pre-K will not be included in the calculation of the Quality Award.
Quality Awards

Requirements

- Funds should be used to support direct costs of the early childhood program, such as:
  - Enhanced compensation for staff who meet qualifications outlined in BrightStars.
  - Support for expanded staffing needs to meet higher quality standards (e.g. expanded hours for teaching assistants, floaters, etc.).
  - On-going costs associated with meeting higher quality standards (e.g. individual child assessment system).

- A Summary Report indicating how the award was utilized will be required.

- DHS will conduct periodic audits to verify enrollment and/or Summary Report data.
Contact Details

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