



White Paper

Adapting Child Care Market Price Surveys to Support State Quality Initiatives

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Synopsis

Recent changes to the Child Care and Development Fund (CCDF) require a state's child care market price survey to: (1) be statistically valid and reliable and (2) reflect variations in the cost of child care services by geographic area, type of provider, and age of child. States may use an alternative methodology for setting payment rates—such as a cost estimation model—to take into account the cost of meeting quality requirements. This brief provides an overview on how states can adapt to meet these new requirements and also align price surveys to better support efforts to improve the access that children have to high-quality early learning programs.

Introduction

Rate setting in early childhood education—and particularly in child care—is evolving as part of efforts to assure quality. This brief explores how states can adapt their child care market price surveys to meet new federal requirements and align them to better support efforts to improve the access that children have to high-quality early learning programs. It provides state administrators and other key stakeholders with an overview of the federally mandated survey and alternative methodologies, highlights current state practices and their limitations, and makes recommendations for strengthening current practices to better support broader state policy priorities in rate setting.



The recommendations touch upon best practices for strengthening the design and administration of price surveys. However, the primary focus of the recommendations is new practices that states can use to transform the price surveys into a broader tool for assessing the early childhood education (ECE) landscape that would allow states to:

- Align price surveys to support key initiatives to improve program quality;
- Improve their understanding of the relationship between ECE program costs and program quality;
- Use the market price surveys to address multiple research needs, for example, data for cost studies and workforce studies; and
- Collect data for different segments of the ECE landscape.

Background and Context

Federal Mandate

Since 1998, the federal Administration for Children and Families (ACF) has required states to conduct a study of child care market prices to evaluate the adequacy of rates for the purpose of demonstrating equal access to child care for low-income families. States use the results of the market price surveys to inform rate-setting policy and the establishment of maximum reimbursement rates for children served through child care assistance programs. The underlying purpose of federal policy is to encourage states to establish child care payment rates that are high enough to enable families receiving child care assistance to find affordable care. The recent CCDF reauthorization will allow states to replace or augment market price surveys with an alternative methodology, such as a cost estimation model. The CCDF reauthorization also places more emphasis on ensuring the validity and reliability of market price surveys.

Historically, ACF has encouraged states to use market price survey findings to inform the setting of maximum reimbursement rates for child care subsidies. Federal CCDF regulations state that maximum rates "established at least at the 75th percentile would be regarded as providing equal access." At this level, a state's reimbursement rate would be equal to or exceed the prices charged by providers for 75 percent of the child care slots available in the market. However, the federal government views the 75th percentile as a benchmark rather than a requirement. For a sense of perspective, as of 2014, only one state was reported to set reimbursement rates at the 75th percentile.¹

A 2008 report funded by ACF, *Study of Market Prices: Validating Child Care Market Rate Surveys*, provides the main source of guidance on conducting valid child care market price surveys.² Beyond this report, states have been given little

¹ See K. Schulman and H. Blank, H., 2014, *Turning the Corner: State Child Care Assistance Policies 2014*, National Women's Law Center. http://www.nwlc.org/sites/default/files/pdfs/NWLC2012_StateChildCareAssistanceReport.pdf

² See D. Grobe, R. Weber, E. Davis, J. Kreader, and C. Pratt, 2008, *Study of Market Prices: Validating Child Care Market Rate Surveys*, Oregon Child Care Research Project and Oregon State University Family Policy Research Partnership.

guidance about how to conduct these surveys or how to use the information in their rate-setting process.³

New Focus on Quality and Costs

Changes in the national ECE landscape—with a new focus on access to high-quality ECE programs—call for new approaches and considerations for market price surveys. Key considerations include:

- Many states have implemented quality rating and improvement systems (QRIS) and adopted quality reimbursement tiers.⁴ In establishing the financial incentives for programs participating in a QRIS, states must have an understanding of the costs of providing higher levels of quality.
- States now see ECE programs as more than a work support. They are seen as an essential tool in strengthening child development and school readiness. The recent reauthorization of the CCDF marks a pronounced shift away from viewing child care primarily as a work support and recognizes it as an important early learning opportunity. Therefore, quality is becoming a more important feature in measuring equal access to ECE programs.⁵
- New CCDF guidance allows states to use an alternative methodology, such as a cost estimation model, to document the full cost to providers of delivering quality child care at different levels of quality.

As a result of these trends—and recent work related to recommended best practices for survey design and administration—some states have recently made changes to their market price survey practices. While the general focus of most market price surveys is still limited to demonstrating access, some states have broadened the surveys to allow an analysis of how prices vary by quality levels and have begun to explore use of alternative methodologies that estimate the true cost of providing care at different levels of quality.

³ See L. Stoney, 1994, *Promoting Access to Quality Child Care: Critical Steps in Conducting Market Rate Surveys and Establishing Rate Policies*, Washington, D.C.: Children's Defense Fund; E. Karolak, R. Collins, and L. Stoney, 2001, *Conducting Market Rate Surveys and Establishing Rate Policies*, Washington, D.C.: National Child Care Information Center; and R. Weber, D. Grobe, E. Davis, J. Kreader, and C. Pratt, 2007, *Child Care Market Rate Survey Practices of States, Territories, and Tribes*, Corvallis, OR: Family Policy Program, Oregon State University. <http://www.researchconnections.org/location/ccrcal2266>.

⁴ See Mathematica Policy Research, Inc. and Child Trends, 2009, *Compendium of Quality Rating Systems and Evaluation*, Washington, D.C.: Mathematica Policy Research, Inc.

⁵ See G. Adams and M. Rohacek, 2002, *More Than a Work Support?: Issues Around Integrating Child Development Goals into the Child Care Subsidy System*, *Early Childhood Research Quarterly*, 17(4), 418–440; A. Huston, 2002, *Child Care and Child Development*, in N. Smelser and P. Baltes (Eds.), *International Encyclopedia of the Social & Behavioral Sciences* (pp. 1682–1686), New York, NY: Pergamon Press; and E. Scott, A. Hurst, and A. London, 2003, *Out of Their Hands: Patching Together Care for Children When Parents Move from Welfare to Work*, *Next Generation Working Paper Series No. 16*, New York, NY: MDRC. http://www.mdrc.org/sites/default/files/full_468.pdf



Current Survey Limitations

Not Designed to Consider Quality

States have typically designed market price surveys exclusively to gauge access to ECE programs and have not typically designed them to include information on program cost or quality. Surveys provide a metric for measuring access, but not access to quality.

Notable exceptions include Minnesota, New Mexico, and North Carolina, where the states collect and analyze price data for programs at different levels in a QRIS. This view provides state policy makers with information on the local access that families have to programs at different levels of quality. Several states have conducted studies on the cost of quality and examined how costs vary at different levels of quality.

Given the national interest in high-quality ECE systems and the new CCDF framework, it follows that other states may also seek to align market price surveys to support program quality to allow policy makers to determine the level of access that families have to high-quality programs.

Trouble Defining ECE Market

For research purposes, ECE markets are defined in terms of both the services provided and geography. For practical reasons, however, state practices may vary significantly from research-based best practices. Some states may define markets too broadly, both in terms of the services provided and geography, resulting in less accurate price estimates. Some states may use county or other administrative boundaries to define the market to simplify the processes for conducting the survey and setting rates, possibly ignoring significant market price variations within those regions.

To strike a balance between simplicity and having valid survey results, several states recently have adopted methods that assign local communities to rate zones based on socioeconomic profiles or a statistical clustering methodology—for example, California and Minnesota.

Given the new requirements under the CCDF reauthorization, states will need to take steps to ensure that their market price survey accurately reflects variations in the cost of child care services by geographic area, type of provider, and age of child.

Duplicative and Disconnected

The primary focus of most market price surveys is to satisfy the federal requirement for demonstrating equal access to care. As such, states may conduct the surveys without considering ways in which they could be coordinated with other survey- and data-collection efforts. States may collect data in market price surveys that are also collected in other surveys or administrative data. Likewise, states may miss the opportunity to leverage data collected through market price surveys to meet data collection needs that end up being addressed through additional surveys.

Minnesota is one of several states that has worked to minimize this disconnect. The state conducts an annual "Provider Business Update" survey to collect information on all segments of the ECE landscape. The results of this survey are used for two purposes: (1) to update the state's ECE provider database, ensuring that parents have complete, current, and consistent information on ECE programs in their communities; and (2) to provide the state with the data necessary to conduct a detailed analysis of ECE market prices and provide a more reliable dataset to support other research needs.

As states review their market price survey practices, they may want to look for opportunities to integrate data collection for the survey with other data collection efforts. This not only stands to improve efficiency, but also can lead to a richer description of the ECE landscape for parents and policy makers alike.

May Not Use Valid and Reliable Methods

Changes to CCDF require states to use methods that are statistically valid and reliable in conducting a market price survey. However, for a variety of reasons, states may not rely on best practices for the technical aspects of designing and administering surveys. As a result, the price estimates that are derived from the surveys may be less accurate. Survey results in some states may be further limited because states collect only data in one survey mode or may be limited to English-only responses, which may lead to lower response rates and bias in the survey samples.

A 2008 report, *Study of Market Prices: Validating Child Care Market Price Surveys*, provides states with a list of best practices that improve the accuracy of market price surveys. Those recommendations encourage states to:

- Use geographic units that best match how prices are distributed,
- Analyze prices by type of care and age group within the geographical unit used,
- Produce a response rate of at least 65 percent, and
- Weight price data by the desired capacity (number of children a program wishes to serve) or licensed capacity.⁶

As states revisit their practices for conducting market price surveys, they can implement the above recommendations to improve the validity and reliability of their surveys. States also can leverage new survey technology that allows researchers to collect survey data efficiently in multiple languages and multiple modes that include online, paper, and phone modes to enhance response rates. These additional steps can be especially important with respect to family child care providers for whom English is not their primary language. Moreover, the technology can be leveraged to further improve response rates through a wide range of interactive features, including charts, graphs, videos, and audio or other media designed to engage the respondents in a way that plain text surveys cannot.

⁶ See D. Grobe, R. Weber, E. Davis, J. Kreader, and C. Pratt, 2008, *Study of Market Prices: Validating Child Care Market Rate Surveys*, Oregon Child Care Research Project and Oregon State University Family Policy Research Partnership.

How Can States Adapt?

There are a number of steps that states can take to address the common problems, to strengthen the accuracy of market price surveys, and to adapt them to examine both the access that families have to high-quality care and the cost of care. The ICF International team can help states to:

- Apply **best practices for survey design and administration** to produce statistically valid and reliable results using administrative data or stratified random samples;
- Augment or replace market price surveys with **alternative cost-based methodologies** to establish reimbursement rates that account for key factors associated with the true cost of services, for example, compensation costs, training and professional development, materials, group size and ratios, enrollment levels, program size, and geographic location;
- Design price surveys that are **aligned to support broader data needs**—for example, updates to resource and referral databases, workforce studies, and cost studies—to present a more complete picture of a state's ECE landscape and to further enrich efforts to map the reach of ECE resources throughout the state;
- Modify price surveys to allow analyses of provider prices and family access at **different levels of quality on a QRIS**;
- Implement advanced survey methodologies that more **accurately measure local and regional child care price variations** and to support the **simplification of state child care rate structures**; and
- Use survey methods and technology that can **maximize response rates** through improved respondent engagement and reduced survey response burden.

INNOVATIVE APPROACHES IN PRACTICE

Program	Description
California	In California, ICF International has designed and administers a market price survey that can more accurately measure local child care price variations across the state's complex child care landscape. The survey uses socioeconomic data to create a series of market profiles based on zip codes that have similar socioeconomic features. The survey collects price data for each market profile, and provider reimbursement rates are based on the provider's zip code.

INNOVATIVE APPROACHES IN PRACTICE (CONTINUED)

Program	Description
Minnesota	In Minnesota, ICF International has developed a market price survey that is aligned to support broader data needs . A single survey collects the data needed to update the state's child care referral database and to conduct the market price analysis. The team also designed a cluster-based methodology to more accurately measure local price variations and to simplify rate structures . Counties with similar prices are assigned to one of five rate clusters.
Massachusetts	In Massachusetts, ICF International team members collaborated with Child Care Resource and Referral agencies to implement strategies that helped to maximize survey response rates . The multimode survey achieved response rates between 78% and 90% for all types of care using a robust mail and email outreach campaign, an online survey option, and administration in multiple languages.
North Carolina	North Carolina uses data collected from the market price survey to analyze how provider prices and family access vary at different levels on the state's QRIS .
Multiple States	Multiple states have used alternative cost-based methods to study the true cost of care and examine the relationship between provider costs and different quality standards.

ICF is a professional services firm offering full-service survey research capabilities and an experienced early childhood research team. Our Health, Education and Social Programs Division (HESP) specializes in domain areas that impact the fabric of our lives—with expertise in areas such as early education and K-12 education, higher education, child welfare, public health, housing, community development, at-risk children and families, and international development.

Our child care market price survey and rate setting team offers an ideal combination of expertise in market price survey research, an understanding of alternative cost-based methodologies, experience with state child care subsidy policies, and knowledge of early childhood research. Within the early childhood field, our team has supported Federal training and technical assistance efforts, such as the National Center on Early Childhood Quality Assurance, Child Care State Capacity Building Center, National Center on Child Care Quality Improvement, the Child Care State Systems Specialists Network and the U.S. Department of Education's Early Learning Challenge Technical Assistance program (ELCTA).



About ICF

ICF (NASDAQ:ICFI) is a leading provider of professional services and technology-based solutions to government and commercial clients. ICF is fluent in the language of change, whether driven by markets, technology, or policy. Since 1969, we have combined a passion for our work with deep industry expertise to tackle our clients' most important challenges. We partner with clients around the globe—advising, executing, innovating—to help them define and achieve success. Our more than 5,000 employees serve government and commercial clients from more than 65 offices worldwide. ICF's website is icf.com.

ICF has a highly experienced survey research team with success in leading large-scale, multi-mode surveys of the early childhood landscape in states throughout the country. Our team has worked with California, Maine, Massachusetts, Minnesota and other states to design market price surveys that have produced actionable recommendations to support each state's unique set of policy goals. Our extensive survey and research experience is complemented by "on the ground" credentials of team members who have direct experience in working with state early childhood systems. As a result, our team is well positioned to support states in strengthening practices for their market price surveys and exploring the alternative methodologies that are now permitted under the new federal CCDF regulations.

About the Author

Kenley Branscome is a consultant with ICF who specializes in working with public sector agencies and advocacy organizations at the state and national levels to manage strategic, data-driven research and analysis projects and has directed or conducted numerous child care-related studies at the state level and led initiatives to integrate state-level early childhood data systems across multiple programs and funding streams. He is also a member of the technical assistance team that supports states in

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