

# Child Care Reimbursement Rates

## Update to 2005 Evaluation Report

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### Problems Identified

- **Inappropriate Rate Calculation Methods.** By law, maximum reimbursement rates for the Child Care Assistance Program (CCAP) were supposed to be based on the 75<sup>th</sup> percentile of market rates for similar care in each county. The Department of Human Services (DHS) set some maximum reimbursement rates too high because the department's rate-setting procedures ignored some market rate information. About 25 percent of the rates for child care centers, 9 percent of the rates for licensed family home providers, and 13 percent of the rates for legal non-licensed care were set too high.
- **Failure to Follow Statutory Requirements.** In setting maximum rates, CCAP administrators have not followed some legal requirements. In 2002, when the Department of Education operated the program, administrators violated state law by failing to set maximum rates for child care centers in 68 counties. In response to the rate freeze mandated by the 2003 Legislature, DHS set maximums in those counties using market rates from other counties. However, these "regional" or "statewide" maximum rates reduced the rates paid to some child care centers. The department's use of regional or statewide information to set maximum rates in a county also appeared to violate the statutory requirement that maximums be based on market rates in that county.
- **Potential Overcharging by Child Care Providers.** Our report raised concerns about whether some licensed family home providers were charging a higher rate for subsidized care than unsubsidized care. The state's payment system did not have any controls to prevent overcharging of this type.

### Changes Implemented

- **New Rate Calculation Method Adopted.** DHS has implemented changes that address the problems identified in our report, but the changes have not yet been fully utilized in setting maximum rates. Legislative action in 2005 and 2006 provided for some increases in maximum rates that did not require the department to do a full-scale recalculation of maximum rates using the most current market rates.
- **Statutory Authority Obtained.** The 2005 Legislature provided DHS with statutory authority to set a county's maximum rates based on market rates from multicounty regions. The Legislature also took action to undo the reduction of some child care center rates caused by the department's use of multicounty regions in 2003.
- **Case Management Review Guidelines Developed.** DHS is in the process of developing case management review guidelines, which counties may use to determine whether providers are charging the correct rate. DHS expects the guidelines to be available statewide in early 2007.