

MARKET RATE SURVEY REPORT

STATE OF INDIANA

Office of Early Childhood and Out of School Learning

March 21, 2016

INTRODUCTION

This document describes the process the State of Indiana followed in collecting, validating and analyzing child care market rate data in Federal Fiscal Year 2016. The information presented in this document aligns with the details provided on the market rate study and Indiana CCDF reimbursement rates that was included in the Indiana CCDF State Plan due March 1, 2016.

The Office of Early Child and Out of School Learning (OECOSL) is a division of the Family and Social Services Administration (FSSA), and serves as the Lead Agency for administering the Child Care and Development Fund (CCDF) program in Indiana.

DATA COLLECTION

Indiana's central Child Care Resource and Referral agency, the Indiana Association for Child Care Resource and Referral (IACCRR), collects data on child care providers throughout the state including information on rates that providers charge to the public. IACCRR retains information about providers in the NACCRR Aware Data System (NDS). IACCRR's policy is to contact each active provider in their system at least once every six months to verify that the data collected is accurate, and update the data as needed.

OECOSL utilizes the Child Care Information System (CCIS) to maintain information on licensed, registered and CCDF-eligible child care providers in the state of Indiana. CCIS interfaces with IACCRR's NDS system on a daily basis to provide IACCRR with information on all regulated providers in the state, as well as provide the CCIS unique id for each of these providers.

In October 2015, IACCRR provided an extract of active providers in NDS with their rate information. The rates were for weekly, daily and hourly for the following age groups:

1. Infants
2. Toddlers
3. 3, 4, 5 Year olds
4. Kindergarten
5. School Age Before/After
6. School Age Other

The extract is imported into CCIS. The extract contains the unique ID for each provider that has provided rates. This enables us to determine which rates are from which provider to determine the response rate, which providers did not submit rates and conduct analysis on a variety of provider attributes including provider type, Quality Rating Information System level, county, geographic region and more.

After the data is imported, it is validated that each record was imported and that each record is associated with a valid provider. IACCRR is notified of any record that is not matched with an existing provider. For this year's import, that was not the case, each record was imported and associated with an existing provider.

A report is then run to assist IACCRR in validating the data. The report contains the imported rates and compares them to existing reimbursement rates and to the rates that provider submitted in the previous market rate survey (in 2013). Rates that meet the criteria below are sent to IACCRR for validation:

- Rate is 15% higher than market rate
- Rate is 15% below rate submitted last time by provider
- Rate is 15% higher than rate submitted last time by provider
- Rate is not a valid number

The rates are color coded to highlight the biggest differences.

Fac Num	Facility Name	Age Group	2013 MARKET RATES			PREVIOUS SURVEY RATES			CURRENT REIMBURSEMENT RATES			% CHANGES REIMBURSEMENT RATES					
			rate wk	rate day	rate hr	rate wk	rate day	rate hr	rate wk	rate day	rate hr	rate wk	rate day	rate hr			
1100390		3/4/5 years old	\$160.00	\$0.00	\$0.00	-	-	-	\$126.00	-	-	-	-	-	127.0%	-	-
1100390		Kindergarten	\$160.00	\$0.00	\$0.00	-	-	-	\$125.00	-	-	-	-	-	128.0%	-	-
1100390		School Other	\$160.00	\$0.00	\$0.00	-	-	-	\$104.00	-	-	-	-	-	153.8%	-	-
1100395		Infant	\$125.00	\$0.00	\$0.00	-	-	-	\$98.00	-	-	-	-	-	127.6%	-	-
1100395		Toddler	\$115.00	\$0.00	\$0.00	-	-	-	\$90.00	-	-	-	-	-	127.8%	-	-
1100395		3/4/5 years old	\$110.00	\$0.00	\$0.00	-	-	-	\$80.00	-	-	-	-	-	137.5%	-	-
1100395		School Other	\$110.00	\$0.00	\$0.00	-	-	-	\$85.00	-	-	-	-	-	129.4%	-	-
1100396		School Age	\$104.00	\$0.00	\$19.00	-	-	-	-	\$3.90	-	-	-	-	-	487.2%	-
1100405		Infant	\$283.00	\$0.00	\$0.00	-	-	-	\$236.00	-	-	-	-	-	119.9%	-	-
1100405		Toddler	\$251.00	\$0.00	\$0.00	-	-	-	\$209.00	-	-	-	-	-	120.1%	-	-
1100405		3/4/5 years old	\$211.00	\$0.00	\$0.00	-	-	-	\$176.00	-	-	-	-	-	119.9%	-	-
1100405		School Age	\$110.00	\$0.00	\$0.00	-	-	-	\$92.00	-	-	-	-	-	119.6%	-	-
1100407		Infant	\$130.00	\$30.00	\$0.00	-	-	-	\$109.00	\$22.00	-	-	-	-	119.3%	136.4%	-
1100407		Toddler	\$120.00	\$30.00	\$0.00	-	-	-	\$91.00	\$20.00	-	-	-	-	131.9%	150.0%	-
1100407		3/4/5 years old	\$115.00	\$30.00	\$0.00	-	-	-	\$84.00	\$19.00	-	-	-	-	136.9%	157.9%	-

IACCRR reviews the rates to verify their accuracy. For any rates that are confirmed to be inaccurate, IACCRR utilizes the CCIS system to update the rate. A screen is available in CCIS for their use to edit rates as needed. The screen displayed the import rates for a selected provider, as well as the rates they submitted in the previous survey and the current reimbursement rates for comparison sake. See screenshot below for an image of this screen.

MARKET RATES

Survey Period: Fiscal Year 2016 County: CLARK Provider Name: _____
 Facility Type: _____ Provider Address: _____
 1 of 56 License Number: _____

Provider: _____ Address: _____
 License #: _____ County: CLARK

Save anyway Refused to share VCP Accredited

Fiscal Year 2016 Response

	Infant	Toddler	3/4	5	Kindergarten	School Age	Sch Age Other
Weekly	0.00	0.00	125.00	125.00	0.00	90.00	110.00
Daily	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hourly	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Fiscal Year 2015/2016 Response

	Infant	Toddler	3/4	5	K	SA	SAO
Weekly	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Daily	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hourly	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Fiscal Year 2015/2016 County Market Rates

	Infant	Toddler	3/4	5	K	SA	SAO
Weekly	155.00	138.00	120.00	120.00	88.00	80.00	110.00
Daily	36.00	35.00	35.00	35.00	25.00	35.00	26.00
Hourly	6.80	6.80	6.60	6.60	6.80	6.50	6.50

Indiana targets a response rate of 95% from active regulated providers that will share their rates. The following reports are provided to IACCRR to utilize in attaining this goal:

- Response Rate report
- Market Rate Survey No Response

The Response Rate report lists the response rate by county and statewide by taking the number of survey responses received divided by the total number of providers. See a sample of this report in the screenshot below:

Market Rate County Response Rate

SDA	County	Providers	Surveyed	Percentage
SDA 5	1 - ADAMS	11	11	100.0%
SDA 3	2 - ALLEN	260	250	96.2%
SDA 7	3 - BARTHOLOMEW	41	41	100.0%
SDA 4	4 - BENTON	5	4	80.0%
SDA 5	5 - BLACKFORD	9	7	77.8%
SDA 4	6 - BOONE	37	37	100.0%
SDA 7	7 - BROWN	5	4	80.0%
SDA 4	8 - CARROLL	6	6	100.0%
SDA 4	9 - CASS	12	11	91.7%
SDA 11	10 - CLARK	48	45	93.8%
SDA 6	11 - CLAY	12	11	91.7%
SDA 4	12 - CLINTON	11	11	100.0%

The List of No Responses report lists each provider for which rate data was not imported into CCIS. This provides IACCRR with the details on which providers have not submitted rate information to reach out and contact those providers. IACCRR works the list to collect rate data from these providers, and enters it into CCIS, on the market rate screen mentioned earlier with the goal of achieving a total response rate of 95%.

After the initial import, the response rate was calculated at 88.7%. After IACCRR worked the “No Response” list, the final response rate was calculated at 95.7%. There were 3,989 providers to be

surveyed, responses were received from 3,817. Note that total includes 126 provider that do not charge a fee, such as Head Start programs.

The survey process meets the benchmarks set by the Administration of Children and Families (ACF) to consider a market rate study valid as follows:

- 1. Includes the priced market.** The survey is based on data from Licensed and Registered providers. These providers tend to conduct business with the general public, and have rates established that are not based on prior relationships with clientele. The relation of a child care customer may have more influence in the pricing for unregulated relative care, so rates from these types of providers are not considered in the survey.
- 2. Provides complete and current data.** The data represents 95.7% of the market and is based on data that has been collected and confirmed within a recent six month period. Per the Notice of Proposed Rule Making on the CCDF program this year, 65% is considered a desirable response rate.
- 3. Represents geographic variation:** With a 95.7% response rate, the vast majority of providers in the state are represented in the survey. Providers from all 9 Service Delivery Areas, all 10 CCDF intake regions and 91 out of 92 counties in the state submitted survey data. The one county not represented (Newton) does not currently have a licensed or registered provider within the county to survey.
- 4. Use rigorous data collection procedures:** A response rate that greatly exceeded the desired rate of 65% demonstrates the rigorous data collection procedures were utilized. Communication from IACCRR with providers to collect rates is done via phone, face-to-face contact, email and letter, primarily relying on phone contact for this data. IACCRR also employs bilingual staff to communicate and collect information from non-English speaking providers.
- 5. Analyzes data in a manner that captures market differences.** Data is analyzed per child per slot, without weight to how many children a provider serves, or has the capacity to serve. This reflects the experience of families searching for child care, they compare one rate from one provider with that of another. Since the dataset represents nearly the full population of providers, weighting the data for certain underrepresented provider types or settings is not necessary to reflect true market differences.

DATA ANALYSIS

With the data validated and a satisfactory response rate achieved, data analysis begins with the primary goal of estimating the level of access available to CCDF families.

First, an overview of Indiana's CCDF reimbursement rate structure, and a little background on recent updates that have been made to the rates

1. Indiana's CCDF Reimbursement Rates Overview

Indiana has established weekly, daily and hourly CCDF Reimbursement rates in six age group categories for 16 different provider types in each of the 92 counties in the state. In this structure, there are a total of 8,932 rates established for CCDF subsidy reimbursements. OECOSL recognizes there are significant

rate differences in the child care market when you compare counties, provider types and levels of quality. All of these have factored into the development of such a diverse set of rates which is intended to provide CCDF families with access to quality child care for their child close to home.

The six age group categories are:

1. Infants
2. Toddlers
3. 3, 4, 5 Year olds
4. Kindergarten
5. School Age Before/After
6. School Age Other

The 22 facility types (including tiered rate type) are:

1. Licensed Centers – PTQ Levels 0 and 1
2. Licensed Centers – PTQ Level 2
3. Licensed Centers – PTQ Level 3
4. Licensed Centers – PTQ Level 4
5. Licensed Homes – PTQ Levels 0 and 1
6. Licensed Homes – PTQ Level 2
7. Licensed Homes – PTQ Level 3
8. Licensed Homes – PTQ Level 4
9. Registered Ministries – PTQ Level 0
10. Registered Ministries – PTQ Level 1
11. Registered Ministries – PTQ Level 2
12. Registered Ministries – PTQ Level 3
13. Registered Ministries – PTQ Level 4
14. Exempt Homes
15. Exempt Centers
16. Accredited Exempt Centers

Note that Unlicensed Public Schools are reimbursed at rates equivalent to the Licensed Center rates. Exempt in-home care by a non-relative (“nanny care”) is reimbursed at the current minimum wage, and is not based on market rates.

2. Recent Reimbursement Rate Updates

In 2014, the CCDF reimbursement rates were restructured to establish tiered rates based on the provider’s approved level in Indiana’s voluntary Quality Rating Improvement System called Paths to QUALITY (PTQ). Prior to 2014, Indiana’s CCDF reimbursement rates reflected one tier for licensed accredited providers which received an additional 10% in their reimbursement rates and one for Ministries that participated in Indiana’s Voluntary Certification Program which received an additional 5% in reimbursement rates.

Before 2014, the most recent change to the reimbursement rates was in 2007 when the rates were set at the 72nd percentile of provider charges based on the 2007 market rate survey. Based on the 2013 market rate survey, the Licensed Homes rates were at roughly the 55th percentile of the market, and the Licensed Centers rates were at the 45th percentile of the market. Rates were established and deployed in 2014 that set reimbursement rates at the 55th percentile of the market for Licensed Homes and Centers that are not enrolled in the PTQ program (Level 0) or at the entry level of Level 1. Tiers were set

at an additional 10% in reimbursement rate for providers at Level 2, 20% for those at Level 3 and 30% for those at Level 4, the highest level of quality in Indiana which requires a provider to be accredited with a nationally recognized child care accrediting body. The tiered rates resulted in Level 2 rate equating to roughly the 80th percentile of the market, Level 3 was at the 90th percentile and Level 4 was at the 95th percentile. The higher the quality level, the higher level of access a CCDF family has for quality care.

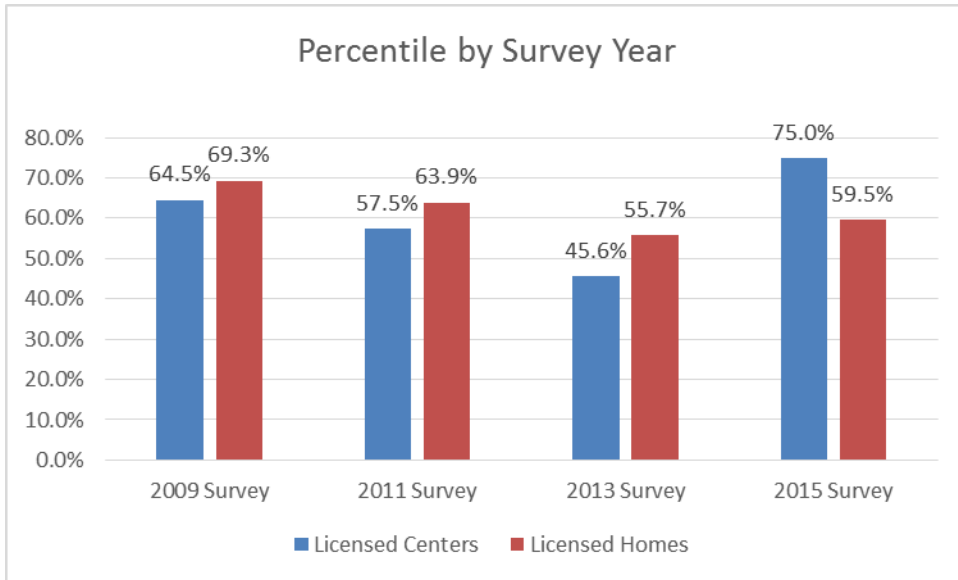
Further, recognizing that the standards for Unlicensed Registered Ministries for attaining PTQ Levels 2-4 is equivalent to the standards for Licensed Centers, rates were set for Ministries Levels 2-4 to be equal to those of Licensed Centers Levels 2-4. Ministries enrolling in the PTQ program are required to meet the state's Voluntary Certification Program (VCP) to meet entry level requirements. Rates for Ministries enrolling in PTQ at Level 1 were set at the mid-way point between the base Registered Ministry rate and the new Ministry Level 2 rate.

Rates for legally-licensed exempt providers had not been adjusted in over five years. In 2014 and to a larger extent in 2015, a number of new requirements to meet Provider Eligibility Standards for an exempt provider to be eligible to serve CCDF children went into effect. To recognize the more stringent standards, exempt rates were increased 7% in 2015. This percentage increase was equivalent to the average increase in rates for base licensed providers when their rates were set at the 55th percentile in 2014.

3. Percentiles of Current Licensed Reimbursement Rates Based on 2015 Market Rate Survey.

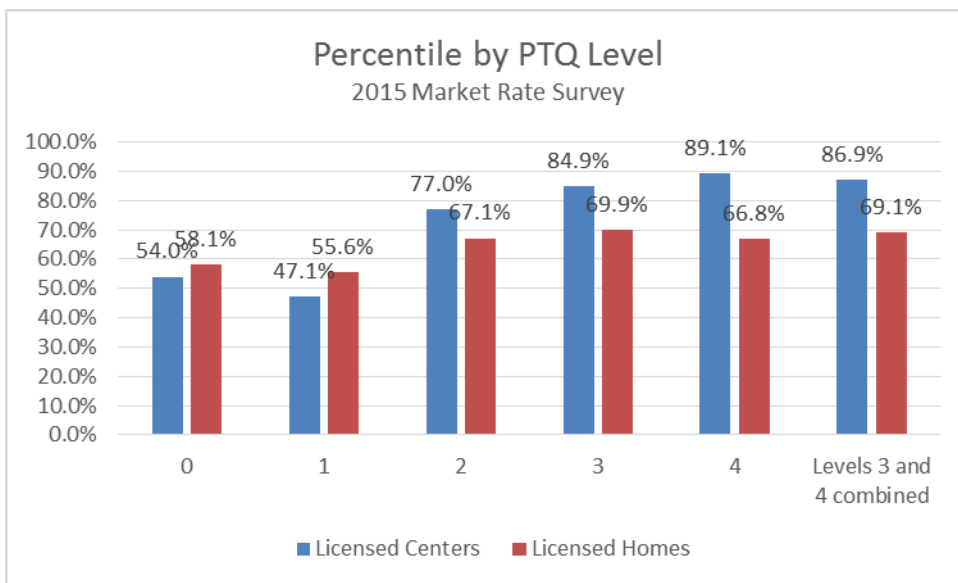
The initial analysis revolved around determining the percentile of the current reimbursement rates for Licensed Centers and Homes based on the data collected in the 2015 market rate survey. The percentile represents the number of rates in the survey that are at or below the reimbursement rate for the same age group, county and provider of the same facility type. Weekly rates were reviewed first since they represent over 90% of CCDF vouchers in Indiana.

The percentile was determined to be 75.0% for Licensed Centers and 59.5% for Licensed Homes. In other words, 75.0% of the Licensed Center rates collected in the 2015 market rate survey were at or below the current reimbursement rate for the selected age group in that county for the same provider type. Likewise 59.5% of the rates in the survey were at or below the equivalent reimbursement rate for licensed homes. This is up from a percentile of 45.6% for Licensed Centers and 55.7% for Licensed Homes in 2013. See the chart below for a graphical representation of these figures as well as figures from 2009 and 2011.



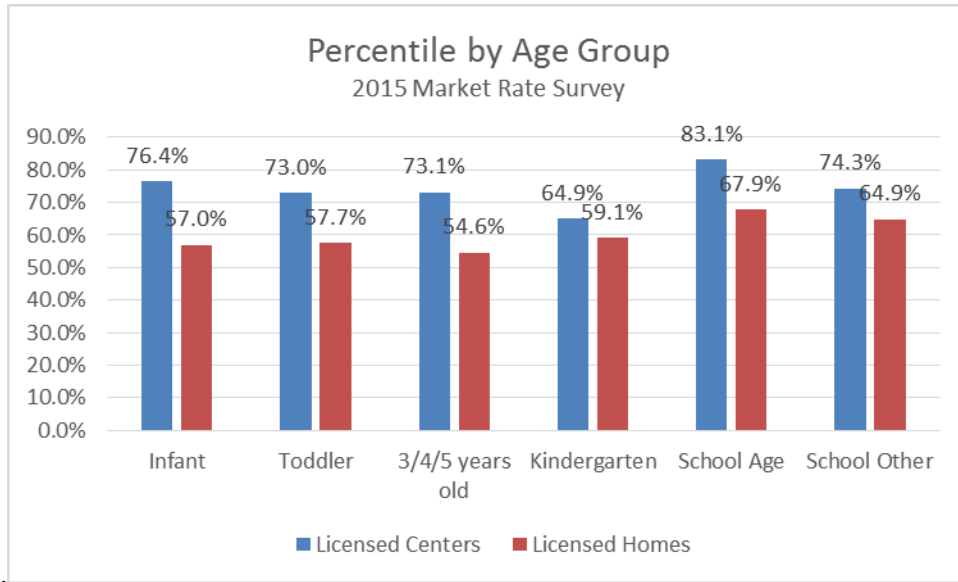
The percentile for all licensed providers was determined to be 61.5%. With a much larger population of Licensed Homes than Licensed Centers in Indiana, the percentile for all licensed facilities is heavily weighted to be skewed toward the Licensed Home percentile. At the time of the survey, there were 2,716 Licensed Homes and 622 Licensed Centers (Source: Sept 2015 Monthly/YTD Licensing Report).

Setting base rates at the 55th percentile in 2014 and implementing a tiered rate structure for providers enrolled in Paths to QUALITY at the higher levels had a drastic impact on the percentile calculations from 2013 to 2015. That is particularly evident when looking at the percentiles by PTQ Level for Licensed Centers and Homes. Percentiles ranged from 47.1% to 58.1% for licensed providers at Levels 0 or 1. While the percentiles for providers at Levels 2-4 were at least 67.1%, up to 89.1%. See the chart below.



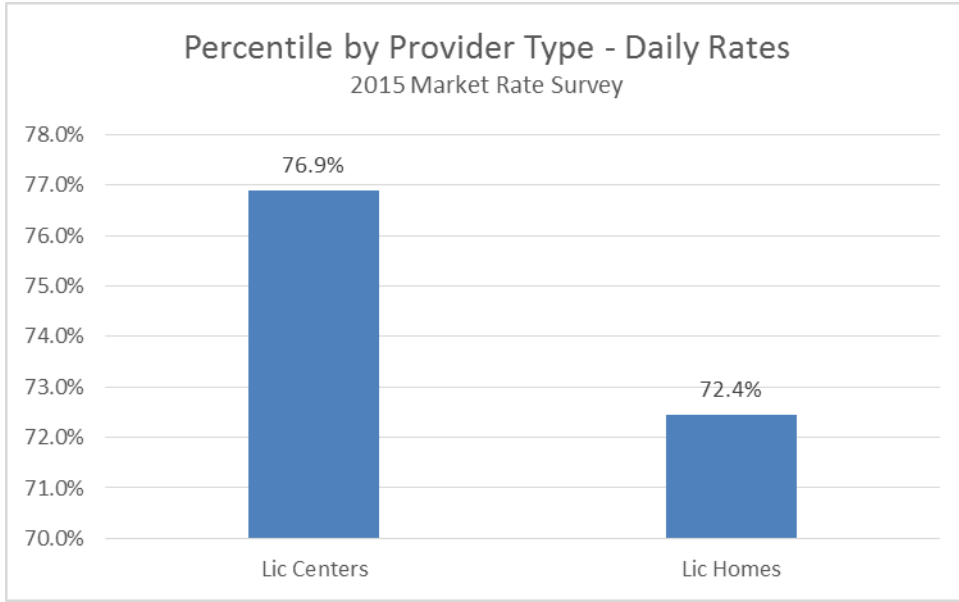
At the time of the survey, 73.2% of Licensed Centers were enrolled in the Paths to QUALITY program at Level 2 or above. 24.2% of Licensed Homes were enrolled at Levels 2-4 (source: Sept 2015 PTQ Overview Report).

Percentiles were calculated for each age group for Licensed Centers and Homes. Percentiles tended to be higher for school age children for both Centers and Homes, and over 75% for infants in Licensed Centers. See chart below.

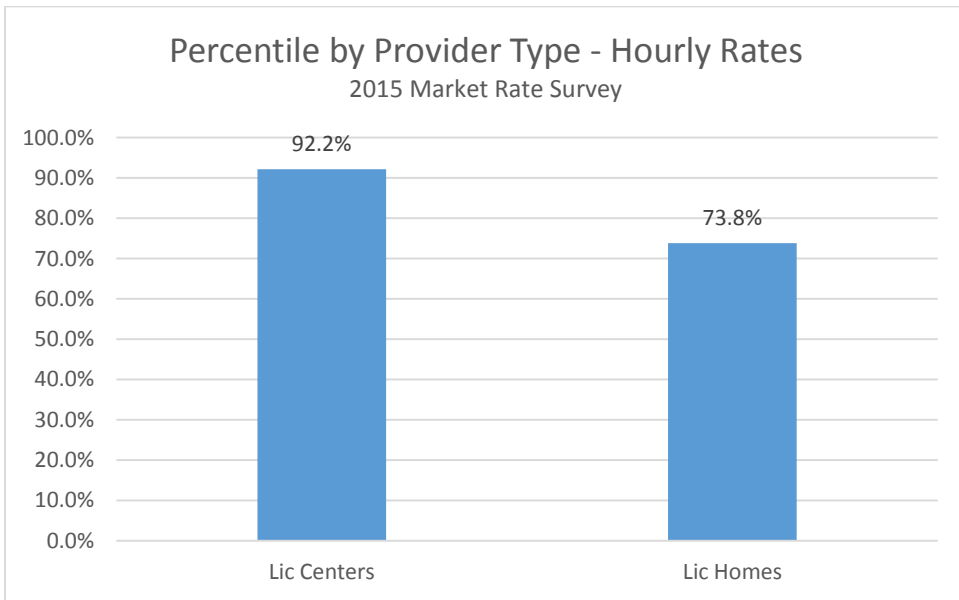


Daily and Hourly rates were adjusted in 2014 and 2015 just as the Weekly rates were. They represent a small portion of the total number of CCDF vouchers issued each year in Indiana. In Federal Fiscal Year 2015, there were over 212,000 vouchers created in the AIS system. 6,336 of them created with daily rates, 5,919 of them were for hourly rates. Combined, the hourly and daily vouchers represent less than 6% of the vouchers created in year.

The percentiles remained high for hourly and daily rates for licensed providers based on the 2015 survey data. The daily rates were at the 77th percentile for Licensed Centers and the 72nd percentile for Licensed Homes. See the chart below.

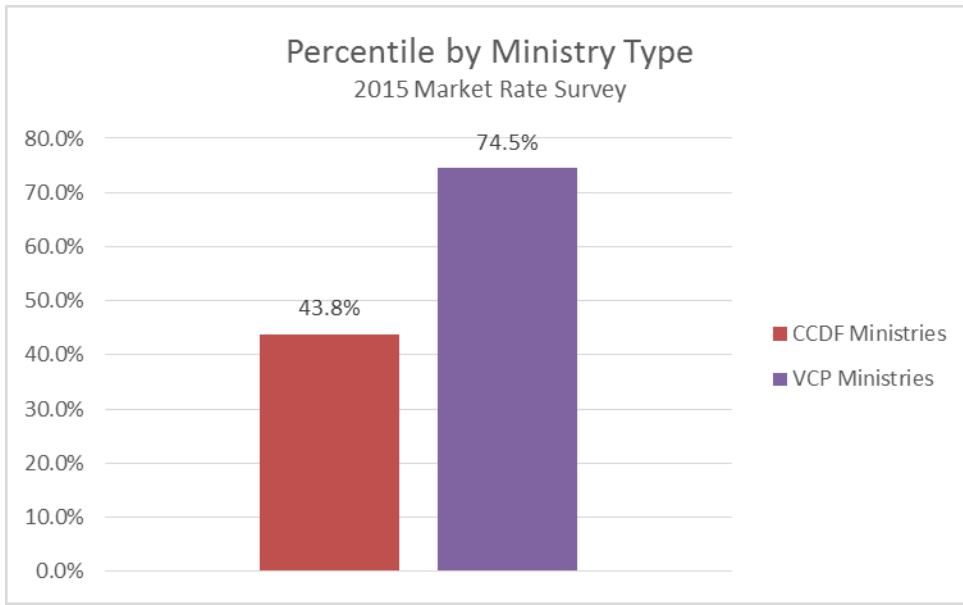


The hourly rates were at the 92nd percentile for Licensed Centers and the 74th percentile for Licensed Homes. See the chart below.

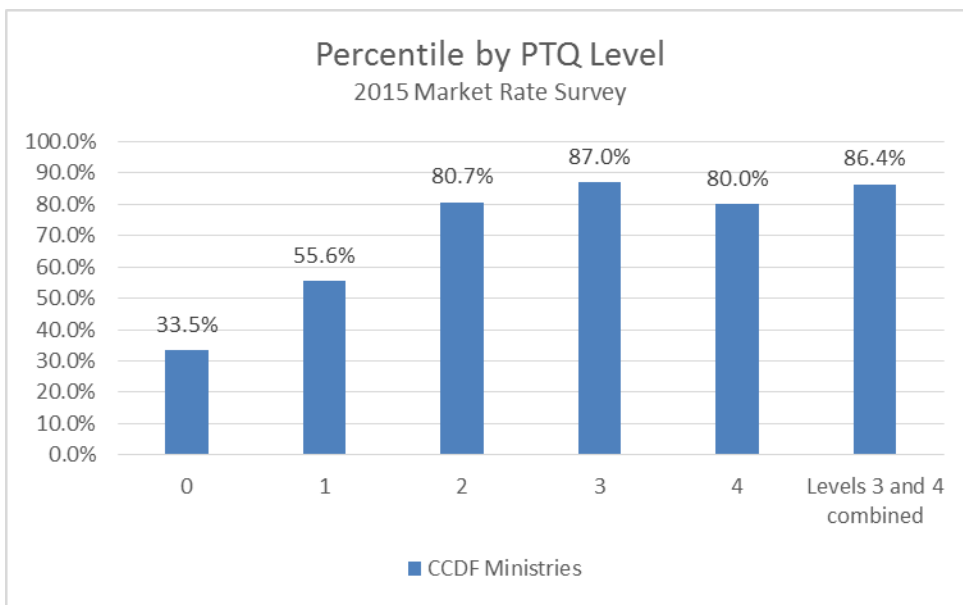


4. Percentiles of Current Ministry Reimbursement Rates Based on 2015 Market Rate Survey.

The percentiles of the Ministries rates were found to be particularly high at higher levels of quality. All The reimbursement rates for Ministries were at the 44th percentile based on the survey data from Ministries that are eligible to take CCDF vouchers. For those in Indiana’s Voluntary Certification Program (VCP), the percentile was 74.5%

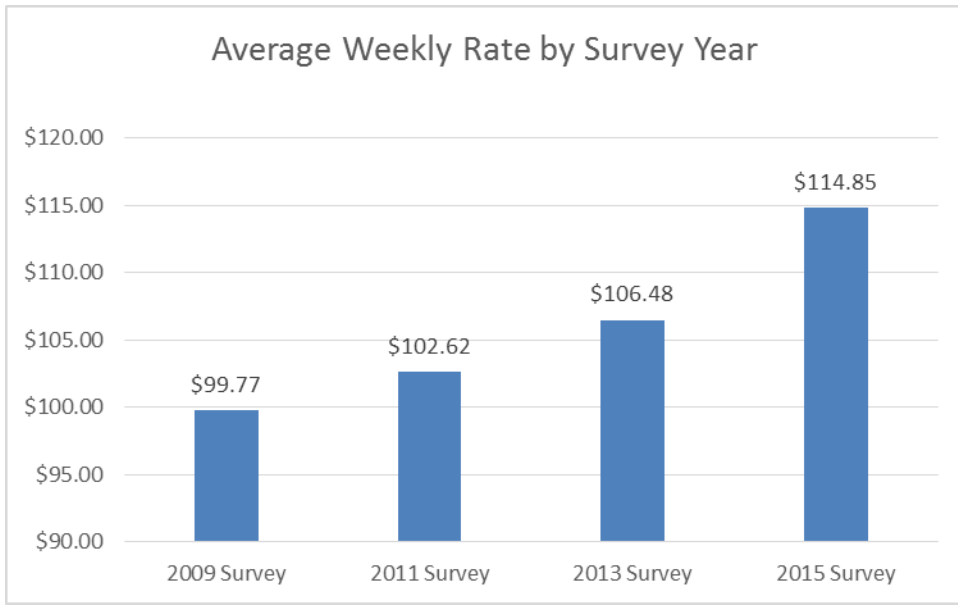


The percentiles for those Ministries enrolled in the Paths to QUALITY program dramatically increases as the Level increase. Those that the highest Levels (3 and 4) are at the 86th percentile.



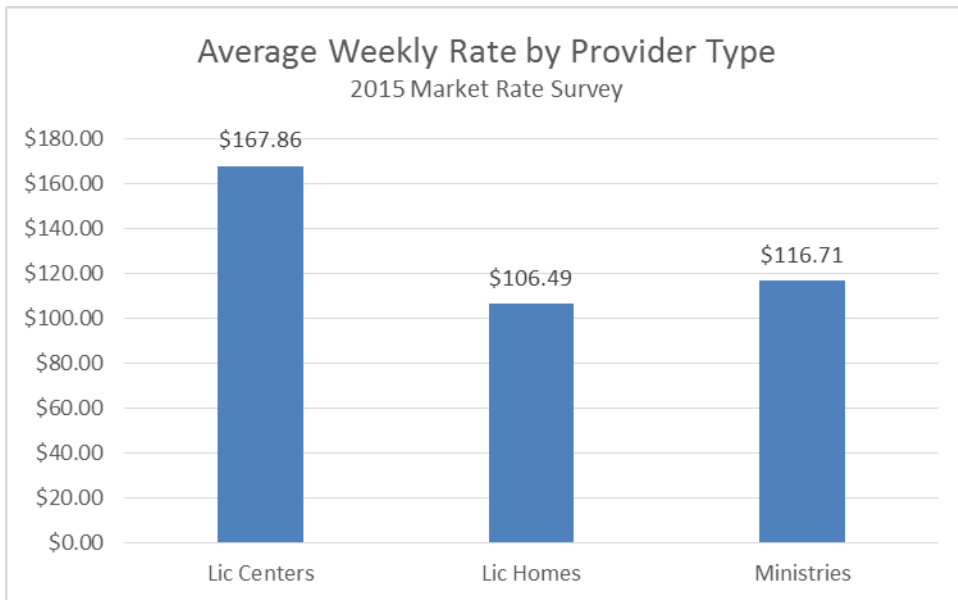
5. Average Weekly Charges

Based on survey data received since 2009, the average charges have gradually increased with each survey. Survey data has been collected on Licensed Centers, Licensed Homes and Registered Ministries in each survey since 2009. The chart below demonstrates the overall average weekly cost of all of the provider types.

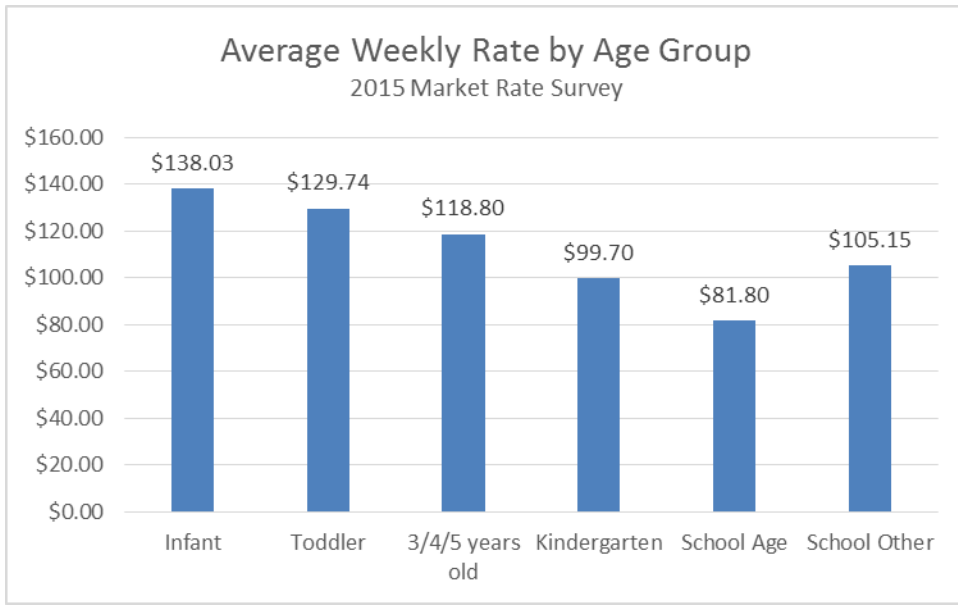


The increase in average weekly rates was 2.9% from the 2009 survey to the 2011 survey, 3.8% from 2011 to 2013 and 7.9% from 2013 to 2015. There were no adjustments to the reimbursement rates following the market rate surveys in 2009 and 2011. The introduction of the tiered rates base on the PTQ Level, setting the base licensed rate at the 55th percentile and an increase to Ministry and LLEP rates were all implemented between the 2013 and 2015. There may be a correlation between the increase in reimbursement rates, and a higher rate of average rate increases in that time period.

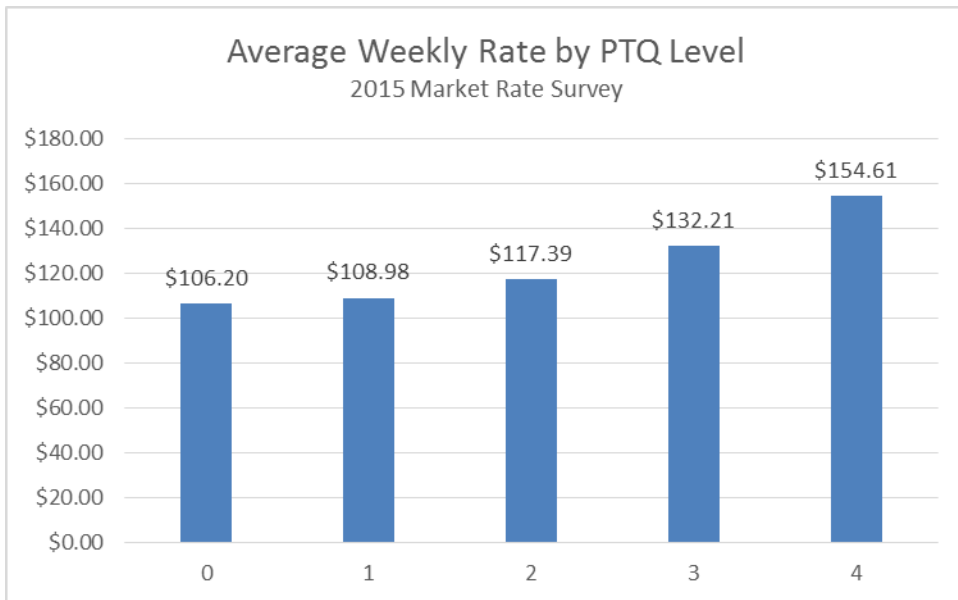
The average weekly rate for Licensed Centers I \$167.86, Licensed Homes \$106.49 and Registered Ministries is \$116.71. See chart below.



Average rates by age group decrease as expected as the age of the child increase. See chart below.



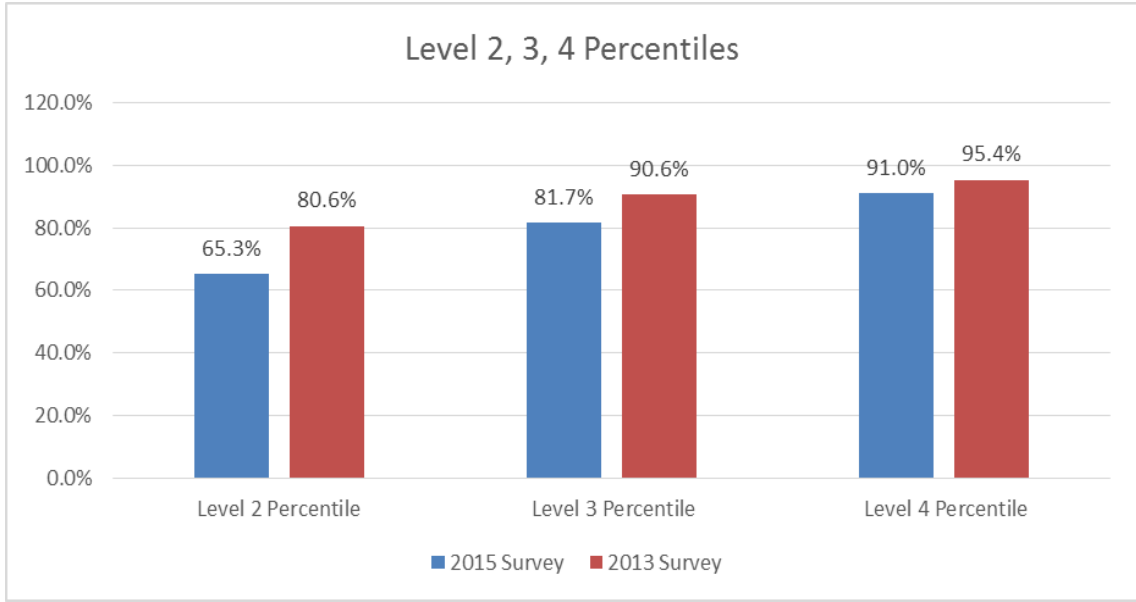
Average rates increase as well as the Paths to QUALITY level increases.



6. Percentile of Tiered Rates

When the tiered rate structure was implemented in 2014, the licensed tiered rates of 10% for Level 2's were at roughly the 80th percentile of the 2013 survey rates, the 20% tier for Level 3's was at roughly 90% and the 30% tier for Level 4's was at 95%.

Based on the 2015 survey data, the licensed tiers are now at roughly the 65th, 82nd and 91st percentiles for Levels 2, 3 and 4 respectively.

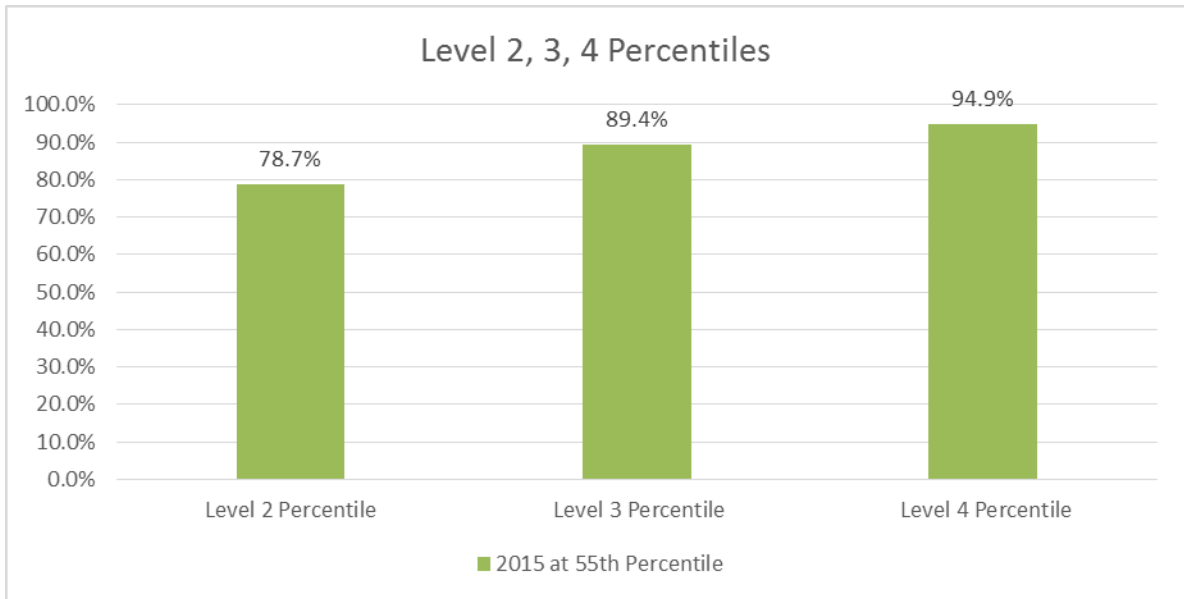


7. Options under consideration for Reimbursement Rate changes

The tiered rate structure introduced in 2014 has been effective at providing access to high quality care for CCDF families. The reimbursement rates for Level 2 providers and higher were equal to or higher than at least 80% of all the licensed rates at the time. With the latest survey, that figure is now 65%. OECOSL has two updates to the reimbursement rates under consideration to increase the tiered rates to the approximate where they were percentile-wise in 2014.

7a. Set Base Licensed Rates at 55th percentile

One option under consideration is to set the base licensed rates at the 55th percentile based on the 2015 survey data. This would be effective at getting the percentiles close to where they were in 2014. See chart below.



One disadvantage is that not every rate would be updated uniformly across the state. Based on the survey data, some base licensed rates are already at the 55th percentile or higher, and those rates would not be adjusted in this scenario.

There would also be a cost associated with implementing this plan. Looking at the data of children by provider type from last year, and calculating the difference in reimbursement cost by implementing an update to set the base rates at the 55th percentile, it is estimated that there would be an additional \$4.5 million in CCDF reimbursements. However, the CCDF budget will not change, therefore the “cost” to the program will be to reduce the number of caseloads to account for these increased costs. Estimating that the average cost per week per child would be at \$119/wk, that equate to a reduction of 730 children per year.

CONCLUSION

The State of Indiana is dedicated to making quality child care accessible to the neediest families in the state, namely those that are on the CCDF voucher program. The 2015 market rate study confirms that average charges by child care providers continues to increase. The implementation of a new CCDF reimbursement rate structure in 2014 has been effective at making high quality child care available to CCDF families. However, in the short time since the new rate structure was implement, the study indicates that the level of access is not equivalent to where it was at the time.

Options are currently under consideration for making adjustments to the rates to make high quality care more accessible to CCDF families. Changes to the rates will likely be implemented in 2016.

For more information about Indiana’s CCDF program, and to stay up to date on the implementation of rate updates, please see Indiana’s Carefinder website at www.childcarefinder.in.gov.