

INFORMATIONAL BRIEF

Cost-Containment Proposals in Wisconsin Shares 2009-2011 Biennial Budget

What is proposed for Wisconsin Shares in the Governor's budget?

The Governor's budget proposal adds \$20.4 million to the Wisconsin Shares child care subsidy program in each year of the 2009-11 budget. In addition, the proposal calls for several cost-saving measures to better manage the overall cost(s) of the program:

- Freezing child care reimbursement rates
- Changing how payments are made to child care providers, based on attendance rather than enrollment
- Authorizing restructuring of parent co-payments to better manage overall utilization
- Authorizing creation of waiting lists if needed
- Counting child or family support payments as income

This brief provides information on these 4 cost-containment proposals.

Freezing Child Care Reimbursement Rates

The budget proposal would freeze reimbursement rates to child care providers for the biennium. By the end of the biennium, payment rates will have been frozen for 5 years, with no increases since 2006.

Typically child care market prices have increased at a rate of 2-4 percent per year. Prior to 2006, Wisconsin revised reimbursement rates

every year based on annual market surveys of child care prices so that the Shares rates would reflect market prices. Under the proposal, it is likely that payment rates will be 10-20 percent below the actual market increases by 2011.

Attendance-Based Reimbursements

Under the Governor's proposal, a new attendance-based reimbursement policy would be implemented effective January 2010. Under current law, licensed child care providers are paid based on authorized units of service (the number of hours children are approved for in Wisconsin Shares) usually based on a parent's work schedule and child care needs.

The new proposal would pay licensed child care programs based on days attended, plus 10 percent to account for normal absence. The proposal is estimated to save \$12.5 million in 2009-10, and \$26.3 million in 2010-11, about 6% of the subsidy expenditures.

Standard practice for licensed child care programs is to charge by the slot (based on enrollment and related staffing needs to accommodate children enrolled). For more than a decade, state government payment rates to licensed child care in Wisconsin have generally been paid based on enrollment, not based on attendance.

Experts in the field often estimate absence rates of about 15 percent, with higher absence rates for infants and toddlers. A recent Harvard study of health and children in child care found a 17 percent rate of absence due to illness.¹

Earlier absence policies were implemented briefly in 2007 and 2008, but were rejected by the Legislature and withdrawn.

Tracking Attendance by Use of “Swipe Cards”

The use of a new process to track attendance in licensed facilities by using “swipe cards” is being implemented by the Department as part of the “budget repair bill” passed earlier this year.

Swipe cards, which have been in use in other states, essentially provide an electronic means of tracking the attendance data that will be the basis of reimbursements noted above. Details of the process remain to be worked out, but typically the system involves:

- Issuing parent(s) &/or others responsible for bringing the child to the program a card that can be swiped through a scanner when a child arrives or leaves a child care program
- Developing standard procedures and rules for use of the cards to minimize errors and ensure accurate attendance reporting

Increasing Co-payments

Under current rule authority, the Department of Children and Families would have the authority to modify the structure and increase family co-payment levels by up to 10 percent. Co-pay amounts are based on a sliding scale, with families paying based on income level, family size, and the number of children in subsidized child care. The budget proposal estimates \$1.5 million in savings in 2009-10, and \$4.2 million in savings in 2010-11.

While details of the restructuring have not yet been determined, the proposal allows establishing different levels of co-payments based on actual need and utilization as well as the current ability to pay component. The intent is to encourage authorizations that more closely reflect the actual need and utilization and make co-payments more equitable across those authorization levels. Co-payment amounts are factored into the payment to providers, with the child care programs responsible to collect the family co-pays.

Authorizing Waiting Lists

The budget proposal authorizes the Department of Children and Families to establish a waiting list for services if needed to manage the overall cost to the program. The budget proposal estimates savings of \$1.1 million in 2009-10, and \$1.2 million in 2010-11.

Wisconsin Shares has not had a waiting list since early 1997. An applicant on a waiting list would not receive a child care subsidy unless funding was sufficient. States with waiting lists must establish priorities for services based on federal regulations, including children or families with very low family income and children with special needs.

Counting Child Support Payments as Income

Under the Governor’s proposal, the Wisconsin Shares program would be required to count court-ordered child or family support payments as income in determining eligibility and in calculating a family’s co-payment requirement. The administration estimates savings of \$3.3 million in 2009-10, and \$6.6 million in 2010-11.

Under current procedures, child support payments are not counted as part of a family’s income. An implementation issue that may be important is that child support payments are often less than consistent for low-income parents, causing significantly fluctuating income from month to month. Averaging income over several months may be necessary to prevent families from going on and off the program and disrupting a child’s child care arrangements.

¹ “Child care center policies and practices for management of ill children,” in the September 2004 *Ambulatory Pediatrics*
<http://www.ahrq.gov/research/dec04/1204RA8.htm>