



CCA Tiered Reimbursement Issue Brief

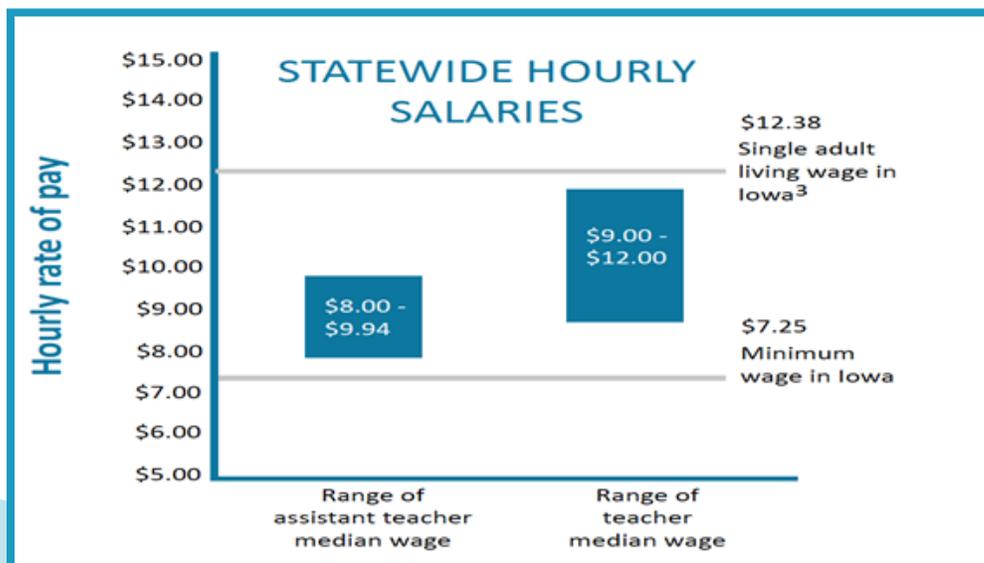
A review of the current Child Care Assistance policies indicates multiple barriers exist inhibiting the state's ability to recruit, retain and improve the child care workforce. The identified barriers include:

- chronically low wages and lack of benefits;
- current levels of reimbursement are not set at the current Market Rate Survey; and,
- QRIS Level 5 reimbursement is not directly connected to increased compensation for the workforce.

Background

Child care workers aren't paid enough to make ends meet. In 2014, the median hourly wage of child care workers was \$10.31, which was 39.3% below the \$17.00 median hourly wage of other workers. Iowa lags behind national averages with a median teacher hourly wage as low as \$8.89 (a 6% decrease since 2010) and as high as \$13.00 (2016 Working in Early Care and Education in Iowa). In addition to low wages very few child care workers receive benefits. Only 37% indicated they had access to partially paid health insurance and 43% included retirement by the employer. Additionally, fewer than 80% reported having paid holidays or vacations and less than 60% indicated paid sick leave.

Child care assistance should make it possible for low-income families to access high quality child care. However, current CCA reimbursement rates range from the 25th percentile to the 60th percentile of the current market rate. An increasing number of providers are choosing not to serve children eligible for CCA due to the lower-than-market rate reimbursement. In addition, lower-than-market rate reimbursement in combination with overall low wages force child care workers to access public supports to meet basic living expenses such as food and housing supports.





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Current Status

Licensed Preschool Child Care Centers receive reimbursement of \$13.53 per 5-hour unit of child care however the 2014 market rate is \$17.50

Registered Child Development Homes—Category C receive an infant and toddler reimbursement of \$12.44 per 5-hour unit of child care however the 2014 market rate is \$15.00.

Iowa's Quality Rating System (QRS) is currently voluntary for registered and licensed child care. The purpose of QRS is to provide incentives to improve the quality of child care. This two-fold system provides a bonus for achieving levels two through five. In addition, if a Level 5 rating is achieved, the program is eligible for increased CCA reimbursement based on the 75th percentile of the 2014 market rate survey. This incentive actually creates barriers for child care workers. First, the child care worker can only accept the current market rate or the rate they have set for private pay families, which ever is greater. Second, there is no guidance or requirements indicating the incentive will increase staff wages.

Fair compensation assures that child care workers will be retained in their current work place thus positively impacting child outcomes. Children from families who are CCA eligible should have equal access as private pay families to quality child care programs that are sufficient to support health, safety and quality staffing. A supportive professional environment that compensates workers fairly and offers career advancement opportunities is critical for attracting and retaining high-quality practitioners in the field. A lack of quality child care and availability will undermine economic development. Children will be cared for in subminimum care, which will impact their future development and ultimately the future workforce.

Recommendation

Create a more robust CCA tiered reimbursement system that includes a requirement for fair compensation aligned to the QRIS scale, and reimburse at the current Market Rate Survey.



Child care providers lose \$10-20 per day for each child whose parents receive Child Care Assistance benefits, compared to those who pay the full market rate.

Source: Iowa Department of Human Services