Alternative Methodologies and Market Rate Surveys
Options and Strategies for Identifying and Incorporating Cost of Early Care and Education in Subsidy Payment Rates

State and Territory CCDF Administrators’ Meeting
September 29, 2016
Welcome

ECE ACCESS AND CHOICES

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The views expressed in this presentation do not necessarily represent the views or policies of the Office of Planning, Research and Evaluation, the Administration for Children and Families or the U.S. Department of Health and Human Services.
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- Kathryn Tout, Child Trends, Facilitator
Goals

• Compare and contrast different information sources and methods for collecting data that informs subsidy payment rates
• Discuss experiences using cost of quality calculators in Colorado and New Mexico
• Reflect on criteria that can be used to assess different methods
Information sources: Market rate surveys
Clarifying terms: Different sources of information

• **Market rate survey (or price study)** = a study of the prices or fees child care providers typically charge and parents typically pay per unit of care (e.g., per week or per hour) in a local area.

• **Cost study** = a study that collects data at the facility or program level to measure costs (of inputs used) to deliver services.

• **Cost modeling** = a method that incorporates both data and assumptions to estimate what expected costs would be incurred by providers under different scenarios.
Market rate studies and subsidy payment rate setting

• A market rate survey (MRS) is a study of the prices or fees that child care providers charge parents for child care services in the market
  – Market prices are based on arms-length transactions

• Rate setting is the process by which provider payment rates are set for the child care subsidy program in a particular state (or sub-state regions)

• There is not a direct link between a market rate survey and rate setting in most states
Why conduct a market rate study?

A study of market prices provides:

• Insights into provider behavior such as
  – If/how they differentiate prices by ages of children
  – Extent to which they offer less-than-full-time care
  – May include information on provider practices with regards to payment policies, absence policies, additional fees, pricing modes

• Useful information for comparing subsidy payment rates to market prices (e.g., to demonstrate equal access)
Advantages of a MRS (price study)

• A market price study is the most direct way to determine how much a parent would need to pay for child care services in the local market
• Providers know and can report prices (less likely to know costs)
• Providers can report prices for different age groups; costs vary across age groups but there may be cross-subsidization
• The process for collecting information and the quality of information on prices are generally similar between centers and family child care providers (cost structures may differ considerably across provider types)
• Collecting price data, depending on the data source, may be cheaper and more accurate than collecting cost data
Challenges to market rate surveys

1. Insufficient market information, for example when there are:
   – Too few providers in an area
   – Providers who don’t charge a market price (for example, those who enroll only children receiving subsidies)
   – Specialized services for which supply is limited, which may include evening or weekend care, special needs children, infants

2. Costs are not fully covered by prices charged to parents
   – For example, providers who use grants or donations to cover the full costs of providing care

3. Market prices reflect inequities in families’ ability to pay for child care
   – Prices collected in a MRS will reflect the variation in families’ ability to pay across local areas
State example: Colorado
CHILD CARE COST, PRICE AND RATE COMPARISONS: NEW POLICY STRATEGY

Erin Mewhinney, Director, Early Care and Learning Office of Early Childhood, Colorado DHS
Louise Stoney, Alliance for Early Childhood Finance
The Colorado Context

• Why Colorado chose to use cost modeling
• HB14-1317 Task Force
• Challenge of establishing state policy and honoring local options
• Results: new knowledge, new opportunities, much greater ‘buy-in’ from counties
Cost Modeling vs Market Price Surveys

- Cost modeling is not designed to establish a particular rate but rather to deepen understanding of the variance between price and likely cost of delivering the service.

- Cost modeling can help inform adjustments to market prices, so that rate-setting can better align with costs and create more effective rate policy linked to specific goals.
Nationally Endorsed Methodology

• The Cost Modeling methodology was developed by national experts Anne Mitchell and Andrew Brodsky
• Endorsed by the federal Office of Child Care, which also supported an online tool – the Provider Cost of Quality Calculator (PCQC) https://www.ecequalitycalculator.com/
• Increasingly used by states to inform rates, including DC, FL, PA, LA, NM, RI, WA, and others
CO Cost Modeling Assumptions (for PCQC)

CO started by populating the PCQC with the following assumptions, which were informed by the Joint TF planning team and carefully reviewed and approved by OEC:

- Center size and age mix
  - Assumed 1 class each age group (between 78 – 66 children total)
- Group sizes and ratios
  - Assumed licensing for levels 1-3; accreditation for levels 4-5
- QRIS levels
  - Assumed increased staff + higher wages/benefits as levels increase
- Enrollment levels and Fee collectability
  - Assumed industry standard of 85% enrollment; adjusted tuition by 10% to account for absence or breaks in service
- Non-personnel expenses based on national industry norms
First CO Challenge: Inconsistent Rates & Ratios

### Licensing Ratios

<table>
<thead>
<tr>
<th>AGE OF CHILDREN</th>
<th>ADULT/CHILD RATIO</th>
<th>MAXIMUM SIZE OF GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 12 months</td>
<td>1:5</td>
<td>10</td>
</tr>
<tr>
<td>12 - 24 months</td>
<td>1:5</td>
<td>10</td>
</tr>
<tr>
<td>24 – 36 months</td>
<td>1:7</td>
<td>14</td>
</tr>
<tr>
<td>3 years</td>
<td>1:10</td>
<td>20</td>
</tr>
<tr>
<td>4 years</td>
<td>1:12</td>
<td>24</td>
</tr>
<tr>
<td>5 years +</td>
<td>1:15</td>
<td>30</td>
</tr>
</tbody>
</table>

### Age Break for CCAP Rates

<table>
<thead>
<tr>
<th>AGE OF CHILDREN</th>
<th>REIMBURSEMENT RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 6 months</td>
<td>$44.50/day</td>
</tr>
<tr>
<td>6 – 12 months</td>
<td>$44.50/day</td>
</tr>
<tr>
<td>12 – 18 months</td>
<td>$40.25/day</td>
</tr>
<tr>
<td>18 – 24 months</td>
<td>$40.25/day</td>
</tr>
<tr>
<td>24 – 30 months</td>
<td>$32.75/day</td>
</tr>
<tr>
<td>30 – 36 months</td>
<td>$32.75/day</td>
</tr>
<tr>
<td>36 months - 5 years</td>
<td>$32.75/day</td>
</tr>
</tbody>
</table>

What’s wrong with this picture?
Potential Challenge:
Impact of New Group Size Standards

- New CCDF Rules require that states establish standards re group sizes
- This wasn’t a barrier for CO, but in some states it could affect cost modeling (re number of staff in classroom)
- May need to create PCQC ‘base case’ and/or run model with new, proposed group sizes
Next CO Challenge: Cost of Living (and Reimbursement Rate) Varies by County

- Joint Task Force agreed that staff wages would be adjusted by county, based on the Colorado Cost of Living Index

- The Model had to be run for each county, with likely costs based on county-adjusted wage rates, and likely revenues based on reimbursement rates established by each county
Cost, Price & Subsidy Rate in a Mid-Range Cost County

0-12 months

- Cost per child
- Market price
- Subsidy rate

3 - 4 Year Olds

- Market price
- Cost per child
- Subsidy rate

Level 1 Level 2 Level 3 Level 4 Level 5
Cost, Price & Subsidy Rate in Rural, Low-Income Area

0-12 Months

3-4 Year Olds

Cost per child
Market price
Subsidy rate

Cost per child
Market price
Subsidy rate
Cost Modeling Lessons for Colorado

- Rate bands and age levels should be revised so that they reflect key cost drivers such as ratios.
- The focus should be on increasing rates for providers at higher levels and for infants and toddlers:
  - Rate increases do not appear necessary for Levels 1 and 2 providers serving children 3 years of age and older.
  - Flat rates – that do not vary by quality level – discourage quality improvement and potentially reward providers at lower quality levels and with higher child:staff ratios.
- Counties with very few providers, or a focus on specific neighborhoods, might want to consider slot contracts (to purchase slots at a negotiated rate linked to cost) rather than base reimbursement on market prices.
Results: Proposed Statewide Tiered Rate Framework

For Infants and Toddlers

Levels 1 and 2  Local Market Rate at 25th percentile
Level 3  Local Market Rate at 50th percentile
Levels 4 and 5  Local Market Rate at 75th percentile

For Preschoolers

Levels 1 and 2  Local Market Rate at 10th percentile
Level 3  Local Market Rate at 50th percentile
Levels 4 and 5  Local Market Rate at 75th percentile
Results: Very High Cost County

Cost vs. Price and Subsidy Rate
0-12 Months

Cost per child
Proposed tiered rate

Cost vs. Price and Subsidy Rate
3 Year Olds

Proposed tiered rate
Cost per child
Subsidy rate
Results: High Cost County

Cost vs. Price and Subsidy Rate
0-12 Months

Cost vs. Price and Subsidy Rate
3 Year Olds
Results: Mid-Range Cost County

Cost vs. Price and Subsidy Rate
0-12 months

Cost per child
Proposed tiered rate
Subsidy rate

Cost vs. Price and Subsidy Rate
3 Year Olds

Proposed tiered rate
Cost per child
Subsidy rate
Results: Low Cost County

Cost vs. Price and Subsidy Rate
0-12 Months

Cost vs. Price and Subsidy Rate
3 Year Olds
What are alternative methods that states might consider?
## Uses of alternative sources of information

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>Uses in Establishing or Implementing Payment Mechanism</th>
</tr>
</thead>
</table>
| Information from each provider delivering services on fees or cost structure | • Use to negotiate fixed payments for specific care provision (slots of various types)  
• Use to pay for allowable costs invoiced by provider |
| Survey of a sample of providers to measure costs to deliver services | • Use to establish payment rates, such as a base rate with variation based on provider or child characteristics (e.g., provide type, provider quality, child age, schedule of care, geographic location) |
| Model of expected provider cost structure, possibly developed based on provider cost survey | • Use to establish reimbursement rates, such as a base rate with variation based on provider or child characteristics (e.g., provide type, provider quality, child age, schedule of care, geographic location) |
Challenges with conducting cost surveys

• Some issues are similar to those with conducting market rate surveys
  – Ensuring a representative sample
  – Ensuring the information collected is valid and reliable

• Some issues are specific to cost surveys
  – Information requirements to fully measure cost are demanding
  – Many providers do not have accurate information on resources used to provide care or the cost of those resources
  – Cost information is easier to collect for a provider in aggregate; more challenging to measure costs separately by type of care (e.g., by child age group; by hours of participation)
Challenges with developing and using cost models

• Cost models are based on assumptions
  – How inputs are combined to deliver child care
  – Relevant prices to attach to each type of input

• Key issue is validity of those assumptions for the model application
  – Reflect local licensing requirements (e.g., group sizes, ratios)
  – Reflect other regulatory or program requirements (e.g., Head Start, state preschool, QRIS)
  – Relevance of assumed input structure for specific providers or provider types
  – Relevance of price structure for local conditions
What criteria can be used to assess the source of information collected?
What do we mean by valid and reliable?

- “Validity is the “extent to which an empirical measure adequately reflects the real meaning of the concept under consideration” (Rubin and Babbie, 1997, p.177). Market rate survey findings are valid to the extent that they match the prices that families find when searching for child care in their community.”
## Criteria to evaluate sources of information

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Specific Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validity</td>
<td>• Does the source of information measure (or produce) the desired information accurately?</td>
</tr>
<tr>
<td>Captures variation</td>
<td>• Does source of information capture variation in price or cost structure along relevant dimensions such as provider type, provider quality, child age, schedule of care, geographic location, or other factors?</td>
</tr>
<tr>
<td>Timeliness</td>
<td>• Does the source of information reflect current conditions or is it out-of-date?</td>
</tr>
<tr>
<td>Cost</td>
<td>• What is the cost to collect the information or to maintain it (e.g., a cost tool)?</td>
</tr>
<tr>
<td>Transparency</td>
<td>• Is the source of information and how it is used understandable to providers and other stakeholders (e.g., parents)?</td>
</tr>
</tbody>
</table>
State example: New Mexico
Background

Since 1997 New Mexico has been considering effective ways to address and compensate for quality.

**July 1997 - 1999 Gold - Silver - Bronze - Child Care Only**
- Three Levels
- No financial Incentives
- No onsite consultation
- Did not support low income children

**1999 - 2011 Aim High - Child Care Only**
- Differential subsidy
- Onsite Consultation
- Low income children had access to high quality programs
- 5 Quality Levels

**2012 - FOCUS On young Children’s Learning**
Establishing Base Rate

- New Mexico has been using the Market Rate Survey to Establish Base Rates for Early childhood programs

- In addition, CYFD conducted analysis with input from providers and identified the following:
  - Quality was driving the market so it was not addressing the specific needs of programs
  - Infant and Toddler care experienced a reduction due to cost
  - Rural areas had a lower reimbursement rate limiting access in rural communities
  - Preschool rates were not reflecting the needs of 3 year olds and 4 year olds
  - Part time rates were not meeting the needs of families
  - School age was disproportional to the continuum in the rate structure
Establishing Base Rate

- **January 2014**
  - Increased child care reimbursement rates by 4%. Child care providers had not experienced a comprehensive rate increase since state fiscal year 2002.

- **July 2014**
  - Increased infant base rates
  - Increased toddler base rates
  - Increase part time rates

- **January 2015**
  - CYFD implemented a provider rate increase to rural child care providers to equal the rate of metro child care providers.
  - This rate increase will create additional incentive for rural child care providers to provide the much needed service of child care in the rural areas of the state.

- **July to August 2015**
  - Implemented pre-school and school age base rates
Utilizing the Provider Cost of Quality Calculator

- New Mexico Partnered with an Economist to evaluate and assess quality rates based on FOCUS implementation
  - In addition, New Mexico developed an in-house tool to measure the impact of ratio reduction requirements at various levels of the quality ladder
  - This process enabled New Mexico to address quality differentials taking into consideration child age and provider type
Addressing Quality

- July 2014
  - FOCUS Reimbursement was established at a higher rate

- October 2015
  - Implemented FOCUS Quality Differential Increase: After cost and revenue analysis for child care centers, CYFD Early Childhood Services determined the previous quality differentials were not sufficient at the 4 and 5 Star quality level due to the required decrease in staff/child ratios
Next Steps

- New Mexico has been working with the National Center on Early Childhood Quality Assurance in developing a model to create a Provider Cost of Quality Calculator Scenarios

- The model will include the following steps

- Use an advisory team
  - Early Learning Advisory Council, Consultants, parents and providers

- Examine the revised FOCUS Standards
  - Focusing on workforce development needs
  - Staff retention

- Using existing data
  - Identifying additional data from providers

- Analyze the information and calculate different scenarios

- Present the findings to the advisory group

- Determine plan for implementation
How can we use the information from market rate surveys or alternative methods to inform rate setting?
## Approaches for child care payments

### (1) Payment based on prices charged by provider

<table>
<thead>
<tr>
<th>Source(s) of information</th>
<th>• Market Rate Survey to determine local market prices and how prices vary with provider setting, child age, schedule of care, and other factors</th>
</tr>
</thead>
</table>
| **Nature of payment mechanism** | • Pay based on usual price of care for type of care provided  
• Could establish maximum rate for reimbursement, which may be tied to MRS data  
• Could incorporate adjustment factors to recognize higher or lower cost of care in some circumstances  
• Could incorporate adjustment factors to incentivize certain types of care provision (e.g., infant care) |
| **Issues to consider** | • Cost and quality of MRS data (e.g., representativeness, missing information for some markets)  
• Providers adjusting prices in response to rate ceilings  
• Effects of ceiling on quality of care accessed by families  
• Effects on other publicly subsidized care |
## Approaches for child care payments

### (2) Payment based on provider actual cost

<table>
<thead>
<tr>
<th>Source(s) of information</th>
<th>• Data from provider on cost structure, e.g., cost per child-hour on average or for specific child ages, schedule of care, and other factors</th>
</tr>
</thead>
</table>
| Nature of payment mechanism | • Pay based on costs established via negotiated contract or invoicing of allowable costs  
• Could establish maximum payment rates  
• Could incorporate adjustment factors to recognize higher or lower cost of care in some circumstances  
• Could incorporate adjustment factors to incentivize certain types of care provision (e.g., infant care) |
| Issues to consider | • Cost of negotiating with each provider  
  ○ Could use this approach for a subset of providers  
• Effects of ceiling on quality of care accessed by families  
• Effects on other publicly subsidized care |
Approaches for child care payments

<table>
<thead>
<tr>
<th>(3) Payment based on pre-established rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source(s) of information</strong></td>
</tr>
<tr>
<td>• Data from provider cost survey or from cost model to determine average costs of care and how varies by such factors as provider type, provider quality, child age, schedule of care, and geographic location</td>
</tr>
<tr>
<td><strong>Nature of payment mechanism</strong></td>
</tr>
<tr>
<td>• Pay based on schedule of established rates as applied to the provider and child circumstances</td>
</tr>
<tr>
<td>• Could incorporate adjustment factors to recognize higher or lower cost of care in some circumstances</td>
</tr>
<tr>
<td>• Could incorporate adjustment factors to incentivize certain types of care provision (e.g., infant care)</td>
</tr>
<tr>
<td><strong>Issues to consider</strong></td>
</tr>
<tr>
<td>• Cost and quality of cost survey data or cost to develop and maintain cost model</td>
</tr>
<tr>
<td>• Degree of under- or over-payment based on average rates</td>
</tr>
<tr>
<td>• Effects on other publicly subsidized care</td>
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</table>
How can States and Territories use the information sources (market rate surveys or alternative methods) to demonstrate equal access?
Key CCDF objective:
Ensure equal access to high quality child care for low-income children

The CCDF plan shall provide a summary of data and facts relied on by the State/Territory to certify that payment rates are sufficient to ensure equal access. (658E (c)(4)(A)) Equal access is not limited to a single percentile alone but is inclusive of various metrics or benchmarks that would offer children receiving CCDF access to the same services (type of care, quality of care) as children not receiving CCDF.”
CCDF Plans: What data and facts did the State use to determine equal access?

<table>
<thead>
<tr>
<th>Source of information</th>
<th>Type of information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market rate surveys</td>
<td>• Payment rates are set at the 75th percentile or higher of the most recent survey (11 states)</td>
</tr>
<tr>
<td></td>
<td>• Data on the size of the difference (in terms of dollars) between payment rates and the 75th percentile in the most recent survey (12 states)</td>
</tr>
<tr>
<td></td>
<td>• Data on how rates set below the 75th percentile allow CCDF families access to the same quality of care as families not receiving CCDF (14 states)</td>
</tr>
<tr>
<td>Cost-methods based approach</td>
<td>• Data on the relationship between payment rates and the cost to the provider of providing care meeting certain standards (8 states)</td>
</tr>
</tbody>
</table>
CCDF Plans: Additional data and facts listed in the checklist to determine equal access

<table>
<thead>
<tr>
<th>Source of information</th>
<th>Type of information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data from subsidy program data system</td>
<td>• Data on the proportion of children receiving subsidy being served by high-quality providers (25 states)</td>
</tr>
<tr>
<td></td>
<td>• Data on where children are being served showing access to the full range of providers (27 states)</td>
</tr>
<tr>
<td>Data from other sources</td>
<td>• Data on the proportion of children receiving subsidy being served by high-quality providers (25 states)</td>
</tr>
<tr>
<td></td>
<td>• Data on where children are being served showing access to the full range of providers (27 states)</td>
</tr>
<tr>
<td>Information about payment mechanism</td>
<td>• Using tiered rates/differential to increase access for targeted needs (40 states)</td>
</tr>
</tbody>
</table>
The next step?
Demonstrating access to high quality care

• MRS provides information on what providers charge parents and therefore provides a direct comparison (to what other parents pay) to determine “equal access”

• Information from cost studies/cost estimation may be particularly useful for informing setting rates for higher quality care
  – Demonstrate tiered payment rates with a sufficient differential to support higher quality, considering the cost of quality using a cost estimation model or other method
  – Report the participation rate of high-quality providers in the subsidy system and the percentage receiving differentials or add-ons to base rates
## Criteria to evaluate payment mechanisms

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Specific Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access</td>
<td>• Do families have access to care in their local community? Do they have access to high-quality care?</td>
</tr>
<tr>
<td>Cost recovery</td>
<td>• Do payment rates substantially under- or over-cover provider cost? Are payment rates reflective of local variation?</td>
</tr>
<tr>
<td>Horizontal equity</td>
<td>• Do providers in similar circumstances offering a similar service receive the same payment? Do families in similar circumstances have similar levels of access?</td>
</tr>
<tr>
<td>Vertical equity</td>
<td>• In considering relevant hierarchies, such as low- to high-quality, do payment rates vary in the desired way?</td>
</tr>
<tr>
<td>Transparency</td>
<td>• Is the payment mechanism and any embedded incentives easy for providers and parents to understand?</td>
</tr>
<tr>
<td>Consequences for child care marketplace</td>
<td>• Does payment policy affect:</td>
</tr>
<tr>
<td></td>
<td>o Number, type, and quality of providers willing to accept subsidies?</td>
</tr>
<tr>
<td></td>
<td>o Provider entrants and exits in total and by type (e.g., family child care, centers) and by quality?</td>
</tr>
</tbody>
</table>
Concluding thoughts

• Since the 1988 enactment of the Family Support Act, federal subsidy policy has required that payment rates be informed by market prices based on the rationale that associating payment rates with prices would support parental choice and access.

• CCDBG Reauthorization Act of 2014 expanded the options to include use of alternative methodology that takes provider costs into consideration:
  – MRS provides direct evidence on equal access by allowing a comparison of prices other parents pay with subsidy payment rates.
  – Alternative methods based on costs are useful for determining whether payment rates are sufficient to cover the costs of higher quality care.

• Both approaches provide important information about the child care market that can help inform rate setting.

• Rate setting is a separate process, however, and may not be directly linked to the information from either approach.
Questions?

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Extra Slides
Broader definition of access

“Access to early care and education means that parents, with reasonable effort and affordability, can enroll their child in an arrangement that supports the child’s development and meets the parents’ needs.”

• What determines access?
  – Payment rates (are providers willing to care for children receiving subsidies?)
  – Affordability to parents (copays, differential)
  – Work schedules, meets parents needs
  – Quality, supports child development.
How the public sector pays for provision of services is an issue in multiple sectors

• **Illustrative sectors**
  – Education (e.g., PreK–12 education, higher education)
  – Health care (e.g., Medicaid, Medicare)
  – Employment and training
  – Other social services (e.g., home visiting, foster care)

• **Issues in reimbursement**
  – Sources of information in establishing reimbursement policy
  – Reimbursement mechanism
    • Contracted price (e.g., fixed costs) or cost reimbursement negotiated with each provider
    • Established payment rate that may vary with service delivery circumstances (e.g., case mix, local market cost differentials)
  – Accounting for profit
  – Accounting for performance (e.g., quality of inputs or outcomes achieved) and associated incentives
Examples of payment approaches in other sectors

• State and district P/K – 12 per child funding formulas, often ad hoc, that account for “case mix,” urban/rural cost differentials, and other factors

• States establish Medicaid provider payments within federal requirements
  – Providers typically paid through fee-for-service or managed care arrangements
  – Hospitals are paid through base rate with supplemental payments to account for service mix (e.g., large shares of Medicaid or uninsured patients)

• Traditional Medicare uses a prospective payment system that establishes base rates for specific services adjusted for patient severity
  – Teaching hospitals and hospitals with higher shares of low-income patients receive supplemental payments
  – To improve care quality, Medicare is introducing pay-for-performance that rewards hospitals for reducing readmission rates
Examples of reimbursement approaches for state and local preK

<table>
<thead>
<tr>
<th>Approach</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Reimburse based on established per-child rates, not necessarily intended to cover full costs | • California State Preschool Program has Standard Reimbursement Rate (SRA) which adjusts for child age, disability, and hours but not geography  
• Ohio Early Childhood Education grants provide flat funding for slots with Star 3 to Star 5 providers |
| Reimburse based on established per-child rates, structured to cover full costs                   | • San Francisco Preschool uses a per-child funding formula adjusted for teacher education, other public subsidies  
• Oklahoma Universal Preschool reimburses school districts using state education funding formula |
| Reimburse based on competitively bid contracts                                                  | • Boston Public Schools contracts with community-based providers for preschool services |
| Reimburse based on allowable costs                                                               | • New York City universal preschool program establishes provider-specific contracts |