Montana's New Cost of Care Calculator

Montana Child Care Business Connect Summit
September 13, 2023

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P▶5 Fiscal Strategies

Prenatal to Five Fiscal Strategies

- Initiative focused on addressing the broken fiscal and governance structures that exist within the P5 system

- Founded in a set of shared principles that center the needs of children, families, providers, and the workforce and fundamentally re-thinks the current system in order to better tackle issues of equity of funding and access.

- Provides national leadership and direct support to states and communities

- Led by Jeanna Capito and Simon Workman

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Agenda

1   **What is a cost model?**

2   **Developing Montana's calculator**

3   **Calculator Demo**

4   **Feedback**

01

What is a cost model?

The broken child care market

Private pay

- Families are price-sensitive consumers

- Higher quality ECE costs more than most families can afford, which lowers demand for quality

- ECE market encourages price competition – low tuition fees – which discourages supplier investment in quality.

Subsidy

- Setting subsidy rates via market rate survey embeds the market failures in the system

  o Providers in low-income areas must set rates low, but then receive low subsidy rate

- Very few states sets rates at the recommended percentile of the current market rate, decreasing the value of the voucher even further.
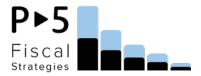
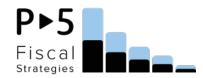Child care is a broken market that disincentivizes quality

Cost estimation modeling

- Estimates the cost incurred to provide care and the resources needed for a provider to remain financially solvent.

- Examines the impact of program size, ages of children served, geographic region, enrollment, bad debt, etc.

- Demonstrates the impact of funding from multiple sources.

- Identifies the gap between the costs and the revenue sources.

- Helps policymakers and other interested parties understand the costs associated with delivering care in different settings, to different age groups at different levels of quality.

The difference between price, cost, and true cost

Price
Reflects what the market can bear, what families can actually pay

Cost
Reflects the actual expenses a program incurs in order to operate

True cost
Reflects the estimated cost to operating a program at high-quality with increased workforce compensation

How does a cost model function?

P▶5
Fiscal
Strategies

User makes selections from a host of inputs, related to program operations that impact expense and revenue

How many children are enrolled in the program?

ENROLLMENT		
# of Children	Age	
1	Infants	
2	Toddlers	
2	Preschoolers	
2	School age	
7	**Total Children**	

Does the program offer any discretionary benefits?

BENEFITS

Health Insurance	Yes	
Sick Days	Yes	10	ent
Paid Leave	No	10	ent

Does the program engage in any of the following activities?

Quality Enhancements: Additional Cost Drivers	
chose enhancmenet and level by the drop downs	Select level
Family Engagement	2 conf/year
Professional Development Supports	Meets Licensing Standards
Curriculum Implementation Supports	3 hrs/week curriculum support
Educational Materials	Add. $50/yr/child
Comprehensive Health and Deveopment	Meets Licensing Standards
Inclusion Materials	Meets Licensing Standards
Inclusion Supports Instructional Aide	Add. CC Health Consultant	(er

How does a cost model function?

Formulas in the model run based on those inputs, using data specific to the selections

Answers are displayed:
- ✓ cost per child, for each age of child included in the selection,
- ✓ total scenario's expenses and revenues, and
- ✓ comparison of cost per child to available revenue by child

How does a cost model function?

Will I get the same answer or a single answer from the cost model?

- You will only get the same answer from the cost model if you make the exact same selections as you did previously, or as someone else using the model did to get their cost per child answer

- No, there is not a single answer generated by an ECE cost model. Cost answers vary by:
  - Program type (center, FCC, FFN)
  - Program size
  - Ages of children served
  - Program regulations (licensed only, STARS, EHS/HS)
  - Equity and quality enhancements

02

Developing Montana's cost of care calculator

Key stages to develop a cost model

Engage Community

Collect Data

Develop Model

Run Scenarios

Inform Policy Decisions

Montana process

- **Formed a work group to guide development of model**
  - o Included representatives of center and home-based child care programs, from different parts of the state, and at different Star levels
- **Reviewed Montana child care licensing standards and STARS requirement**
  - o Identified key cost drivers
- **Reviewed existing datasets to identify data to inform the model**
  - o ARPA survey responses
  - o State licensing data
  - o Existing calculator
- **Developed calculator, shared with workgroup for feedback**

Model Functioning

- **Serving children birth to school age, full day, full year**
- **Includes all mandatory employer taxes and coverage for breaks**
- **Meets health and safety standards under licensing**
- **Non personnel expenses:**
  - Education materials and supplies, child and staff amounts;
  - Occupancy;
  - Program administration;
  - Transportation
- **Include revenue options**
  - STARS incentives
  - Tiered reimbursement

Model Variables

- Model fully customized for Montana
- Reviewed licensing standards and STARS requirements
- Any cost drivers included in the model.

Ratio and Group Size

Center-based	Ratio	Group Size
Infant/Toddler (0-23 mos)	1:4	12
2-3 year olds	1:8	16
4 year olds	1:10	24
5 year olds and over	1:14	32

Home-based	Ratio	Max. enrollment
Family Child Care	1:8	Up to 8 children
Group Child Care	2:15	Up to 15 children

No more than 3 children under 2 in a family home
No more than 6 children under 2 in a group home

Space

- Minimum of 35 square foot of space per child
- Additional space for support functions
- 75 sq ft of outside space per child

Compensation defaults in model

Center-based	Annual Salary		
	BLS	BLS, adj $15 floor	MIT Living Wage
Director	$48,950	$57,675	$98,974
Assistant Director	$39,160	$46,140	$81,796
Administrative Assistant	$40,460	$31,200	$51,574
Lead Teacher	**$32,750**	**$38,587**	**$67,046**
Assistant Teacher	$26,480	$31,200	$51,574
Floater/Assistants	$26,480	$31,200	$51,574
Home-based			
Provider/Owner	$45,031	$53,058	$92,189
Assistant Teacher	$26,480	$31,200	$51,574

➢ **Health insurance** included with multiple options:
  - Kaiser Family Foundation data on employer contribution to health insurance, Montana specific data (*$6,087*)
  - Include as a default dollar amount, discretionary funds for pool of benefits ($5,000/$7,500/$10,000

➢ **Retirement** benefits can be included as a percentage of salary
➢ 10 days **paid sick** and 10 days **paid leave**, by default, can be modified

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03

Calculator Demonstration

Feedback

What questions do you have about the calculator?

What additional functionality would you like to see?

04

What's next?

Using the cost calculator to support your program

- **Understanding the fiscal impact of programmatic changes**
  - o Investing in higher quality, including increased compensation
  - o Changing number of classrooms
  - o Changing ages/number of children served
  - o Business practices

- **Educating community on true cost of care**
  - o Illustrating need for additional investments, beyond families
  - o Making the case for targeted investments based on largest gaps between price and cost

How do you think the calculator could be used?

Case Studies

- P5FS is writing several case studies/profiles to demonstrate findings from the cost calculator and how it can be used

- Intended topics include:

1.	Understanding cost of care - Small centers, geographic diversity	**5.**	Using the cost calculator to support better business practices
2.	Understanding cost of care - Large centers, geographic diversity	**6.**	Using the cost calculator to plan for development of a new program
3.	Understanding cost of care - Family child care homes, geographic diversity	**7.**	Using the cost calculator to elevate provider voice, benefits of cost-based approach
4.	Cost of care and levels of quality - Impact of quality on cost	**8.**	Family child care – small business considerations, compensation etc.

Seeking additional feedback

- **Share your feedback with us!**
  - Email info@prenatal5fiscal.org by September 30 with any additional feedback

- **P5FS will refine based on feedback**

- **Planning to release calculator publicly this Fall**

Thank you

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