

Rate Reform Updates



Agenda

1. Rate Reform Updates
2. Comparison of Alternative Methodology
Cost of Care to Current Rates for CSPP
Program
3. Discussion on Non-Traditional Hours
4. Discussion on Enhanced Inclusion
5. Discussion on Time Bases
6. Discussion on Rate Setting

Phases of Rate Reform

Phase 1: Alternative Methodology Cost Model (FIRST ROUND COMPLETED)

- Move away from Regional Market Rate survey and towards an Alternative Methodology cost model
- Contract with Prenatal to 5 to conduct first Alternative Methodology
- Convene Rate and Quality Advisory Panel (RQAP) to inform Alternative Methodology process
- Completed first Alternative Methodology cost model by July 2025

Phase 2: Single Rate Structure (IN PROGRESS)

- Single Rate Structure = unified rate structure for child care and state preschool programs
- Finalize Single Rate Structure policies through various engagement spaces
- Complete implementation readiness activities
- Set rates informed by the Alternative Methodology and other policy priorities

Addressing Rate Setting Misunderstandings

- The completion of the Alternative Methodology *is not* the same as completing rate setting under the Single Rate Structure
- Setting rates under a Single Rate Structure is the next step and will be informed by Alternative Methodology cost model and other policy priorities.

Addressing Rate Setting Misunderstandings

- The outputs from the Alternative Methodology ***are not*** the proposed rates
- What does it mean if some Alternative Methodology cost outputs are lower than current rates?
 - Does this mean the Alternative Methodology incorrectly estimated cost of care for these categories? **No, this is a common finding for certain categories, like school-age children, when estimating cost of care, and it has been a finding in the Alternative Methodology of other States as well.**
 - Is the State proposing to decrease rates? **No, the 2025-26 Budget Act maintained current reimbursement rate levels. Future rate setting is subject to the budget development process and, for family child care providers, the collective bargaining process.**

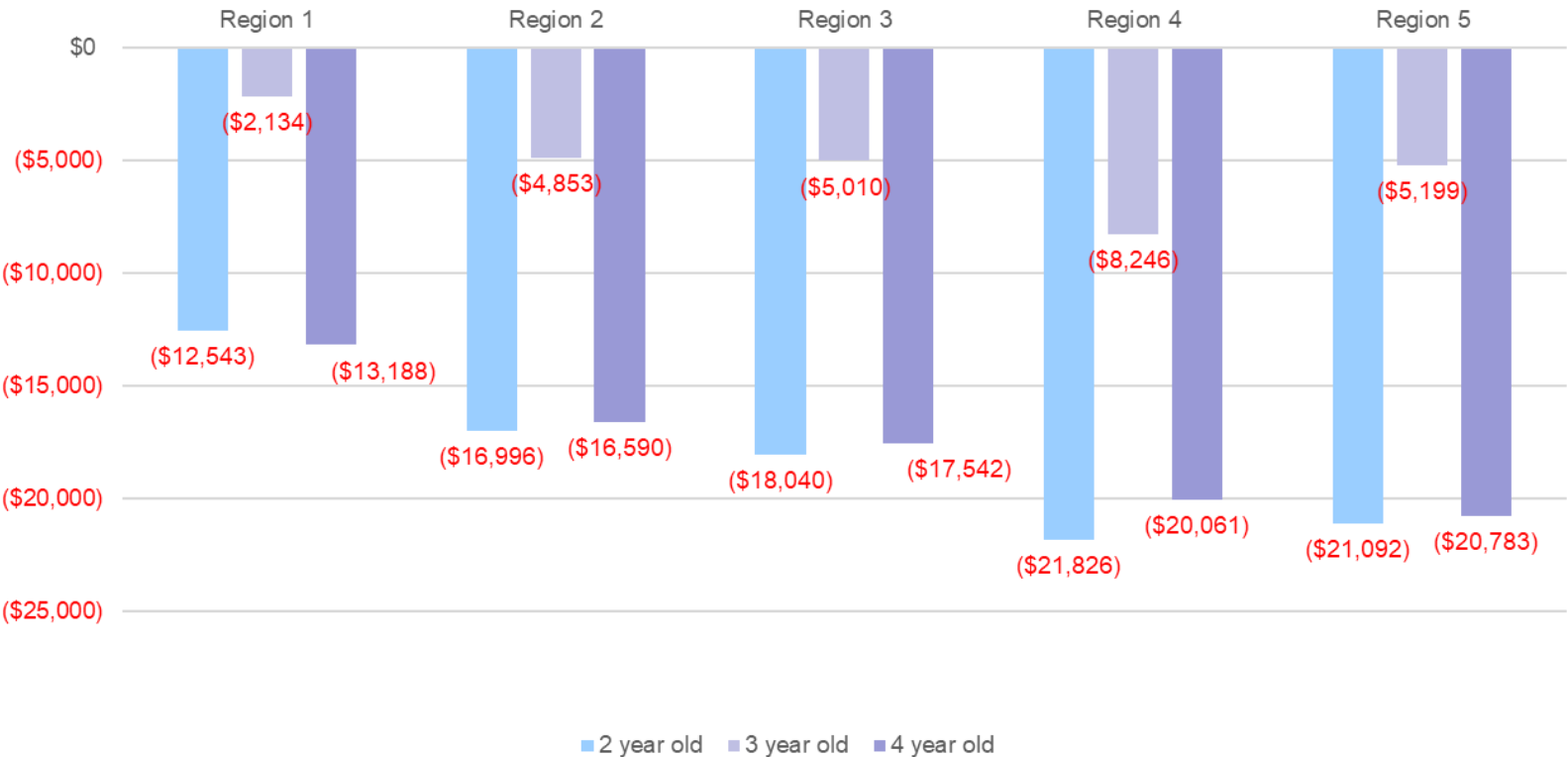
Addressing Cost Model Misunderstandings

- The Alternative Methodology cost model is a point in time estimate of the cost to provide child care based on data collected from external sources, focus groups, provider surveys, and input from subject matter experts
- The cost model **will be updated every 3 years** to reflect new policies and more recent data
 - For example, more recent MIT Living Wage information will be used in the next cost model update which could potentially change the regional groupings of counties
- The next AM cost model update will be in July 2027

Summary of Current Rates vs Cost of Care Output

- The Cost Estimation Model (CEM) report shows that the gap between CDSS child care rates in effect on June 30, 2025 compared to the Alternative Methodology cost of care outputs ranged from 28%-120%.
- For CSPP programs, the gap between rates in effect on June 30, 2025 compared to the Alternative Methodology cost of care outputs ranged from 40%-93%.

Annual per child gap between rates in effect 6/30/25 CSPP Full Day/Full Day+ rate and cost model output, CSPP Full Day/Full-Day+



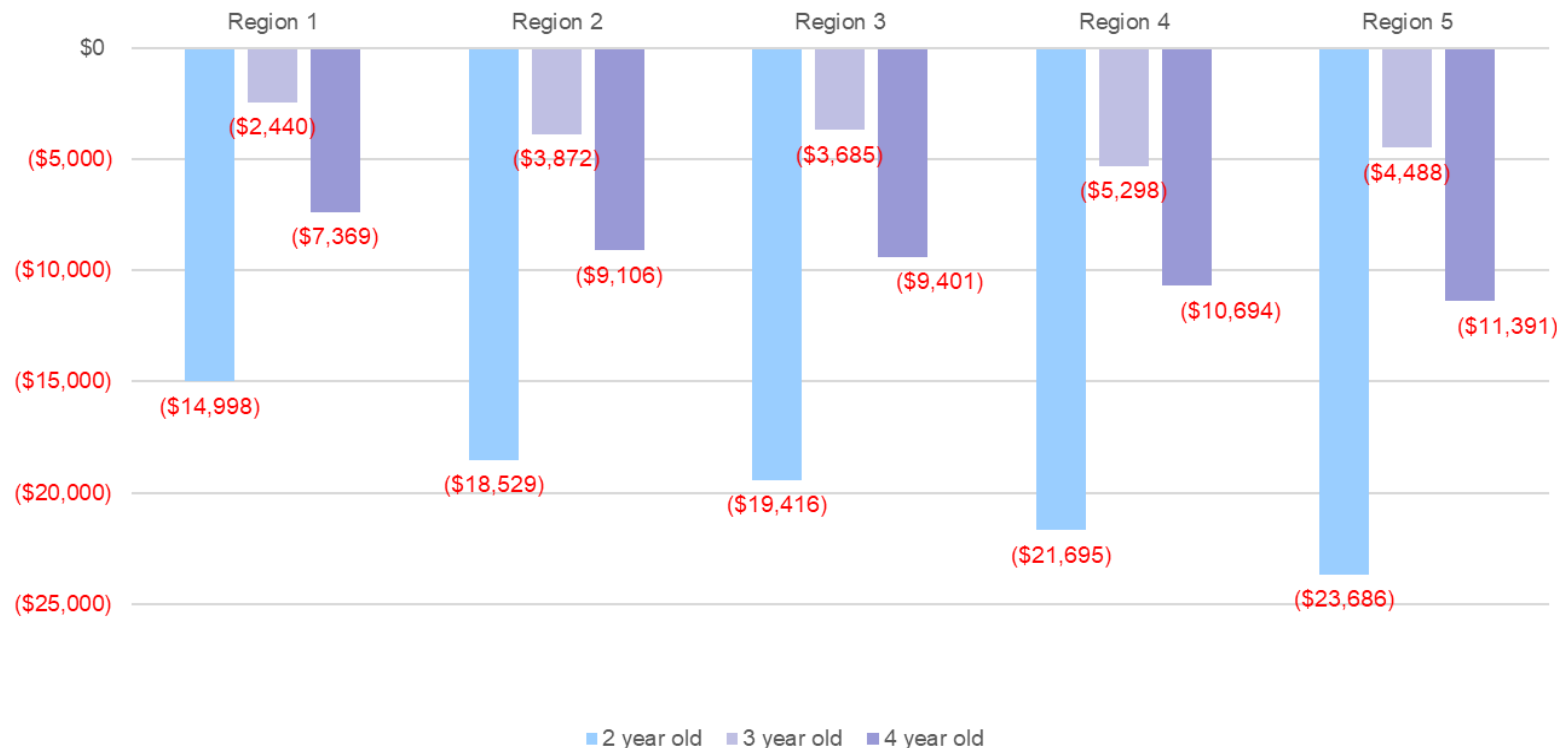
Current Rate as a Percent of Cost of Care: CSPP Full Day/Full Day+

	Region 1	Region 2	Region 3	Region 4	Region 5
2 year old	68% (\$12,543)	62% (\$16,996)	63% (\$18,040)	57% (\$21,826)	64% (\$21,092)
3 year old	93% (\$2,134)	62% (\$4,853)	63% (\$5,010)	57% (\$8,246)	64% (\$5,199)
4 year old	54% (\$13,198)	50% (\$16,590)	50% (\$17,542)	46% (\$20,061)	51% (\$20,783)

CSPP
Full Day/Full Day+
Cost of Care

CSPP Part Day Cost of Care

Annual per child gap between rates in effect 6/30/25 CSPP Part-Day rate and cost model output, CSPP Part-Day



Current Rate as a Percent of Cost of Care: CSPP Part Day

	Region 1	Region 2	Region 3	Region 4	Region 5
2 year old	46% (\$14,998)	42% (\$18,529)	43% (\$19,416)	40% (\$21,695)	43% (\$23,686)
3 year old	84% (\$2,440)	42% (\$3,872)	43% (\$3,685)	40% (\$5,298)	43% (\$4,488)
4 year old	52% (\$7,369)	48% (\$9,106)	49% (\$9,401)	45% (\$10,694)	49% (\$11,391)

Next Steps: Single Rate Structure

- Key Single Rate Structure implementation questions that remain open:
 - Time Bases (moving away from hourly/daily rates)
 - Reconciliation of current reimbursement rate differences
 - Child age group definitions
 - Enhanced Inclusion and Non-Traditional Hours of Care
 - Equity evaluation of rates under Single Rate Structure
 - Local contractor administration and automation impacts

Next Steps: Single Rate Structure

- Engagement Spaces:
 - JLMC for represented family providers
 - Feedback will be gathered through existing meeting spaces and, if needed, ad hoc discussions with contractors and center-based programs
 - Engagement with Legislature through budget process

Single Rate Structure Listening Session

SRS Listening Sessions

- Purpose of these conversations is to hear from broader audience, such as child care centers, agencies, and families.
- Format:
 - Describe current approach under existing Regional Market Rate and Standard Reimbursement Rate structures
 - Describe approach under the Alternative Methodology cost model
 - Flag any additional policy considerations that have come up in other spaces (RQAP, prior ECPC sessions, etc.)
 - Conduct listening session on SRS rate setting approaches

Non-Traditional Hours (NTH) Under the Single Rate Structure

Current NTH Approach

- RMR:
 - Adjustment factor applied when services are provided from 6:00pm to 6:00am on any weekday or from Saturday 6:00am to 6:00am Monday
 - Reimbursement rate multiplied by one of the following adjustment factors:
 - (1) 1.25 when 50 percent or more of the certified need for child care occurs during this period
 - (2) 1.125 when at least 10 percent but less than 50 percent of the certified need for the child care occurs during this period.
- SRR:
 - For care provided for more than 10.5 hours per day, an adjustment factor of 1.18 is applied

NTH in the Alternative Methodology Cost Model

- Assumptions:
 - NTH is defined as 6:00pm to 7:00am
 - Certain program requirements, standards, and activities do not continue during evening and overnight care and are removed from the cost calculations
 - A 10% wage differential is assumed for staff in licensed settings who work during NTH
- Results:
 - Cost of care during NTH is generally but not always less than the cost of care during standard daytime hours
 - No difference in what it costs to provide care on a weekend than on a weekday during traditional hours

RQAP Feedback on NTH Under Single Rate Structure

- It doesn't always cost the same to provide care over the weekend as it does on the weekdays.
- A 10% rate difference is not sufficient for NTH
- NTH reimbursements should be higher than base rates for all children

Questions for Consideration on NTH

1. What specific hours in a week would you define as "non-traditional hours"?
2. The current RMR and SRR reimbursement structure and Alternative Methodology cost model define NTH differently. The SRS is meant to have a uniform reimbursement approach. What are possible uniform ways NTH hours could be reimbursed?
3. From a contractor perspective, would defining NTH reimbursement rules in a particular way make it administratively easier or harder to track, report, and reimburse?
4. Are there any existing ambiguities about NTH that would be helpful to clarify under the SRS?

Enhanced Inclusion Under the Single Rate Structure

Current Inclusion Approach

- RMR:
 - Adjustment factor for exceptional needs or severely disabled if there is
 - an active IFSP/IEP and
 - documentation of additional services and on-going financial impact on the provider.
- CDSS SRR:
 - Adjustment factor applied if there is
 - an active IEP or IFSP and
 - a statement by a legally qualified professional that the child needs the special attention of an adult in the child care setting
- CDE SRR:
 - Adjustment factor applied if there is
 - An active IEP or IFSP

Enhanced Inclusion in the Alternative Methodology Cost Model

- For licensed providers, the base cost outputs cover costs associated with building the general capacity to serve children with inclusion needs
- Additionally, the enhanced inclusion cost output can be claimed to provide inclusion services to a specific child, based on child eligibility

Questions Related to Enhanced Inclusion in a Single Rate Structure

- What are your initial thoughts about enhanced inclusion being included in the Single Rate Structure?
- What are the opportunities and challenges of including enhanced inclusion in the Single Rate Structure? Are there any unintended consequences that may impact the field negatively?
- Who would be eligible for an enhanced inclusion rate? What documentation should be considered to demonstrate eligibility for enhanced inclusion?
- What challenges do families face in documenting eligibility for supportive services?
 - What can help mitigate these challenges so the field, children and families, receive the support, necessary care, and services needed?
- From a contractor's perspective, what enhanced inclusion rate policy would be better/easier to administer and automate?