BACK TO NORMAL IN 2021? MICHIGAN'S CHILD CARE ASSISTANCE USAGE

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Like many states, Michigan adopted an aggressive package of child care policies in an effort to mitigate the impact of COVID-19. Faced with the prospect of damaging disruptions in the child care sector, the state offered generous benefits to child care providers and families. A key priority of the state was preserving recent gains in the expansion of the federally supported child care assistance program (in Michigan, the Child Development and Care, or CDC, program). Through increased eligibility and waived co-payments for families and allowing providers to bill based on enrollment rather than attendance (among other policies), CDC administrators sought to stabilize the program during the crisis.

As part of a federally funded research partnership with the Michigan Department of Education (MDE), Public Policy Associates used state administrative and other data to explore the success of these policies. In prior work, the research team found that while total enrollment in the program had declined, use of the subsidy, continuity of care with a particular provider, and provider quality ratings for CDC program participants were quite similar during key time points before and during the pandemic. These findings raise two important questions, addressed in this brief:

- What was the long-term impact of COVID-19 and COVID-related policies on Michigan's child care assistance program? Did 2021 represent a "return to normal" or significant recovery, or did it herald lasting changes?
- What explains the apparent difference between case-level findings (showing similarities between 2019 and 2020) and lower total CDC caseloads (indicating a significant change)?

Results

For families new to the CDC program, the patterns of child care access were largely unchanged during and after the pandemic.

To understand whether the experiences of families on the CDC program differed after the "pandemic year" of 2020, we compared first-time CDC participants in 2021 to 2019. (Focusing on first-time families makes it easier to compare "apples to apples." Otherwise, there is a risk of making misleading comparisons of long-time subsidy users to new families in the program.)

With respect to family use of the subsidy (with any provider), continuity of care, and quality star ratings of providers for CDC families, the results for first-time families in 2021 are quite consistent with 2019. The average length of time that first-time families remained on the CDC program without a break was substantively similar to the pre-pandemic year, as was the length of time that children remained with the same provider. Meanwhile, more first-time children were enrolled with a star-rated provider in 2021 (75%) than in 2019, a gain of five percentage points.

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Public Policy Associates

Based on available data, the racial gap in continuity of care for Black children closed slightly during the pandemic.

The analysis found limited differences by geography or demographic subgroup. Black and Hispanic families were somewhat more likely to experience breaks in subsidy use, but the differences were not large. Moreover, these inequities did not intensify as a result of the pandemic; the gaps were no larger in 2021 than in 2019. In fact, the gap in continuity of care between Black and white children actually slightly narrowed. Geography also played a limited role in explaining changes in program participation. Overall, the impacts of the pandemic and COVID-related policies were fairly consistent across different families.

It is important to note, however, that the measures used here are of child *enrollment*, not *care*. Because providers receive CDC payments for children based on enrollment as of October 2021, the on-the-ground reality might be quite different. What the results do show is that many families who joined the program in 2021 were just as likely to maintain their connection to a provider and receive support from the CDC program as they were previously.

Subsidy payments declined significantly between 2019 and 2021.

Caseload figures paint a very different picture. As presented in Figure 1, there were significant declines in the number of providers, families, and children receiving CDC payments in 2020, with additional losses in 2021. These reversed all of the progress made since 2016 in increasing program participation. The number of children and families with assistance was 25% lower in 2021 than in 2019, and the number of providers was 24% lower. Rather than recovering in 2021, program participation continued to fall.

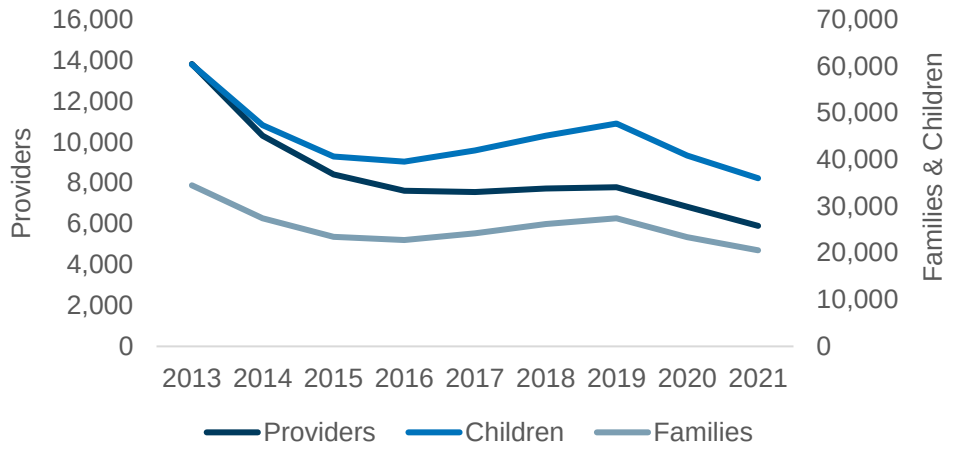

Figure 1. Trends in Provider, Child, and Family CDC Program Participation, 2013-2021

Payments to license-exempt providers fell more sharply than those to licensed providers.

These losses were not felt equally among those engaged in the program. The long-term trends show a decline in the number of providers serving CDC clients from 2013 to 2017, a recovery through 2019, and a sharp drop that wiped out previous gains. The research team saw withdrawal from the CDC program concentrated among license-exempt providers, who declined by 35% between 2019 and 2021, compared with an 8% drop by centers. This is a sharp reversal from the 2017-2019 trend, when the number of

license-exempt providers participating in the program rose by 9%—a faster rate than for centers. Family and group homes, by contrast, have been in persistent decline over the 2013-2021 period.

Every type of provider saw persistent declines in the number of children receiving assistance in 2020 and 2021.

This fact may point to a shrinking of the pool of providers for the entire child care market rather than parent preferences. The number of licensed providers also shrank in 2020 and 2021. The pandemic may also have had some effect on the willingness of providers to serve subsidy clients: the share of all licensed providers accepting CDC clients dropped from 47% in 2019 to 43% in 2021.

The long-term shift towards center-based care was uninterrupted by the pandemic.

Although the number of CDC children in centers has fallen, the proportion in centers has continued to rise. The proportion has risen every year since 2013, growing from 41% of all children in CDC in 2013 to 60% in 2021 (see Figure 2). The proportion in license-exempt care in 2021 was half what it was nine years prior.

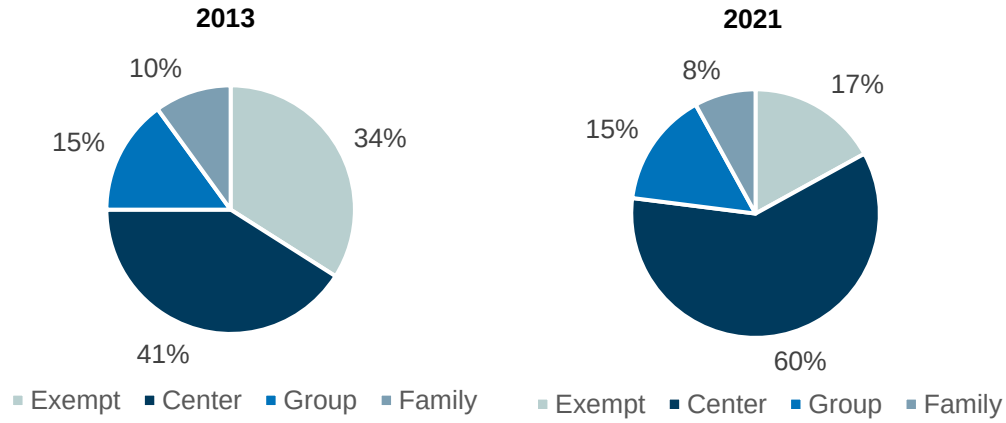

Figure 2. Share of Children with CDC Assistance by Type

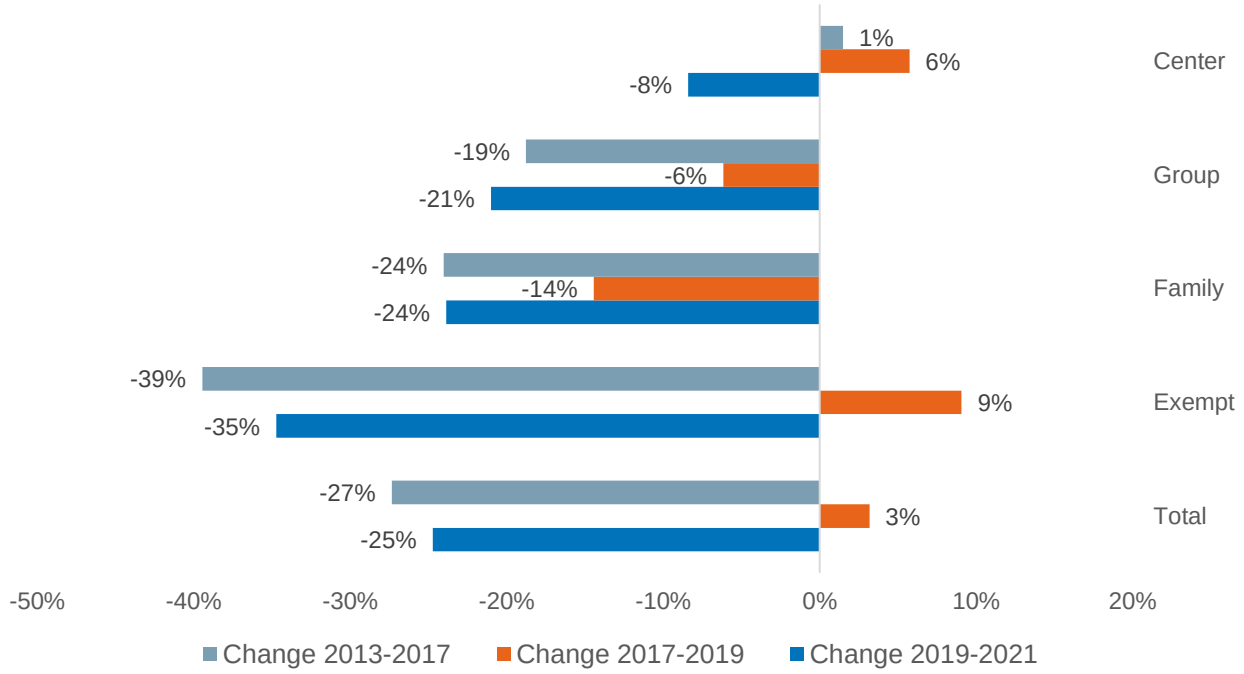

Figure 3. Trends in the Number of Providers Serving Families with CDC Assistance by Type, 2013-2021

Black children new to the CDC program were less likely to exit in 2021, but their proportion of the caseload decreased.

The 2020-2021 period also saw changes in the racial makeup of CDC-participating children. Since 2013 the proportion of children from Black families had grown incrementally, from 45% in 2013 to 49% in 2019. This pattern contrasts with a decline in the share of white children (45% to 41%). These trends reversed in 2020-2021, with the share of Black children dropping to 46% and the share of white children increasing to 45%. The aggregated results are particularly notable because case-level data suggests that children in CDC for the first time from Black families were *less* likely to exit the program in 2021 than in 2019, suggesting either higher attrition rates or lower rates of entry by Black families during the pandemic (a possibility explored below).

The CDC program has a high level of churn annually.

Roughly one-third of all children and families participating in the CDC program each year are doing so for the first time. In any given year, an average of 18% of providers have never previously served CDC children. Attrition rates for first-time CDC-serving providers are also quite high, averaging 36% per year for children and 25% per year for providers between 2013 and 2021. These figures are *permanent* exits from the CDC program—they indicate when a family or provider case ID has no recorded participation in the CDC program in any future year.

Table 1. Percentage of First-Time CDC Participation, 2014-2021[1]

Year	Children	Families	Providers
2014	35%	35%	21%
2015	36%	35%	19%
2016	34%	32%	17%
2017	34%	32%	18%
2018	32%	30%	17%
2019	32%	29%	17%
2020	21%	18%	9%
2021	30%	27%	13%

New CDC program enrollment dropped by 44% during 2020 and has not returned to previous levels.

The high rate of attrition means that any short-term drop in the number of new clients will lead to significant declines in total caseload. This is precisely what the data indicates in 2020-2021. As presented in Figure , the CDC program enjoyed a consistent influx of around 15,000 new children until the pandemic, at which point new enrollments dropped dramatically (44%). Although attrition rates did increase in 2020, the increase was modest, and far lower among first-time recipients of the CDC. The pattern is quite similar for providers.

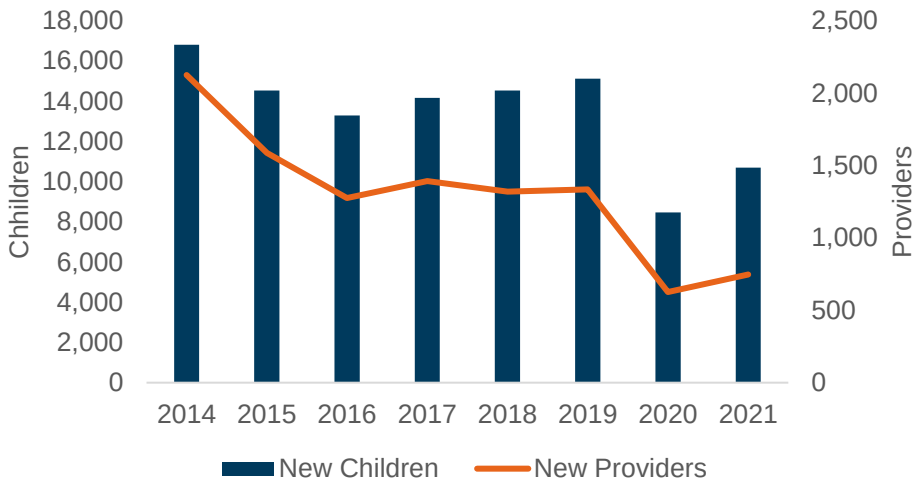

Figure 4. Providers and Children Participating in the CDC Program for the First Time by Year, 2014-2021

The case-level results described earlier focused on first-time participants, but there were simply far fewer of them in 2020 and 2021. CDC caseloads did not drop because of dramatically higher attrition rates but because there were far fewer new enrollments.

Black families were far less likely to enroll in the program for the first time in 2020 than in previous years.

Differences in the rate of program entry also explain why the share of Black children participating in the CDC program fell, even while Black families new to the CDC program were less likely to experience

[1] Percentages for 2013 are excluded because it is the first year with available data, hence all of the participants would have been "new."

breaks. Black families were 46% of the first-time participants in 2019, but only 39% in 2020 and 41% in 2021. In total numbers, Black families experienced a much more severe drop in first-time participation than white or Hispanic families.

Recommendations

The COVID-19 pandemic shocked Michigan's child care system. Despite vigorous state and federal efforts, CDC participation by families, children, and providers declined significantly in 2020-2021. Driven principally by the lack of new providers and families, and only secondarily by an increase in attrition, this decline points to a number of considerations for policymakers and researchers:

Deeper Understanding of the Causes of CDC Participation Changes

There was only a partial recovery in the number of CDC-participating families and children in 2021. At the same time, efforts to support the child care market continued and will extend into 2023 or 2024. It remains to be seen how the CDC program will be affected by the end of these supports and with a stronger economy. The effect of removing these supports requires careful study, as they could lead to new disruptions in the child care market. It is possible that the long-term impacts of COVID-19 on the child care market have been muted by temporary policy changes, and that the end of these policies could lead to intensified shortages in child care access.

- In addition, the close relationship between provider and family CDC participation leaves open whether patterns are driven by family or provider behaviors, or some combination of the two. Differing responses to the overall child care market, provider closures, provider withdrawal from taking the subsidy, and parent withdrawal from the workforce or income gains that disqualify them could also contribute to the decline in CDC participation. This, too, warrants careful study.

Preparing for Program Churn

While a degree of churn is expected in public programs, the fact that a third of CDC participants are new places a considerable burden to ensure familiarity with how the program works and what one must do to utilize the subsidy. This new-participant burden falls not only on families, but eligibility specialists, providers, and program staff. The high rate of turnover among providers is also cause for concern. Administrators should prioritize public outreach to new and potential families and providers to ease successful entry into the program and access to child care using the subsidy.

Attending to Access Equity

One of the key findings of this report is the disproportionate decline in the number of Black families participating in the CDC program. There are a number of plausible explanations, such as the geographic concentration of Black families, higher closure rates by providers in these areas, greater competition for slots, and racial differences in the attitudes towards COVID-19 risk, among others. There is a real question whether this is a short-term problem, or whether it signals a greater inequality of access for Black families. Policymakers should pay close attention to racial differences in CDC participation in upcoming years to discern whether this is a short-term anomaly or a more enduring change.

Methods

The research team drew case-level CDC participation data from 2013-2021 administrative data held by the Michigan Department of Health and Human Services. The researchers measured participation by payments to providers by pay period. The team used unique parent, child, and provider IDs to indicate whether payments were made at any point in each calendar year. We excluded from the dataset children who attended multiple providers in the same pay period. Providers with multiple listed provider types were coded in a "multiple" category. We grouped all license-exempt providers (including tribal providers) into the license-exempt category. A trend analysis was run in the aggregate for families, children, and providers, as well as by provider type and by race/ethnicity. The team identified participants as "new" if they were not associated with any payments in prior years (back to 2013), and as "exited" if there were no additional payments in future calendar years (through 2021).

The research team analyzed family persistence and continuity of care using survival analysis. In both the family-based and child-based analysis, a randomly selected focal child represented each family to avoid biasing the results in favor of large families. We employed a first-spell cohort design, with breaks requiring two consecutive pay periods (or four weeks) without a payment to providers. Quality-of-care analysis used child-level data (again restricting the sample to focal children). Logistic regression analysis measured whether the child was in a child care program with at least one quality-rating star at any point in the calendar year. These models included county fixed-effects, provider type, whether the parent reported any income (the modal category for the entire year), Hispanic, and non-Hispanic Black as controls. The calendar year served as the main independent variable, comparing all first-time spells in 2021 to those in 2019. We evaluated substantive significance using equivalence testing, with a TOST procedure. A .20 effect size threshold was employed, which is equivalent to a 1.42 odds ratio and a 1.29 hazard ratio.

Family persistence and continuity of care should be interpreted only as a payment to a provider on behalf of a particular CDC family participant. State policies since the start of the pandemic have given providers wide latitude in billing by child enrollment rather than attendance, which led to the administrative data from March 2020 having a different meaning than payments made in previous years when all billing was based on attendance or acknowledged absences.