

EXECUTIVE SUMMARY

Overview

In this year of the Michigan Child Care Policy Research Partnership, Public Policy Associates (PPA) worked with the Michigan Department of Education/Office of Great Start (MDE/OGS) and the Michigan Department of Health and Human Services (MDHHS) to study several policy changes for the Child Development and Care (CDC) assistance program. These changes responded to the COVID-19 pandemic and continuing challenges in access to quality child care within the state. The 2021 policy changes were financed through an influx of federal funding. Without this funding, these changes would not have been possible.

The eligibility threshold is based on family income and size. The payment rates in Michigan are set based on provider type (family or group home or center), child age, and provider quality rating. The family contribution is normally required for those who have enough income to contribute something toward the cost of child care.

2021 Policy Changes to the CDC Program

- Increased eligibility threshold (to 150% and later to 185% of Federal Poverty Level)
- Increased payment rates to providers (by 30% and more)
- Waiver of the family contribution requirement (also called the family co-payment)

Key Findings

Increased Eligibility

- The pandemic may have muted the impact of higher income limits on enrollment. The numbers of new families to the CDC program increased by 78% in 2021 over the same period in 2020, although the overall enrollment is still lower than before the pandemic.
- Few parents were aware of the threshold increase, and half of the eligibility specialists responding to the survey said better information was needed.
- Parents were split on whether the threshold increase would influence their job decisions. Half of the interviewed parents said it would, while 40% said it would not.
- Providers praised the threshold increase, but most did not have direct experience with it. Only three of the interviewed providers had families newly qualified for the CDC program.
- The new eligibility threshold was a positive change per state partners but did not fully satisfy aims. The enrollment in the program was still lower than desired.
- Few specialists believed that raising then lowering the threshold would have a positive impact, highlighting concerns about confusion. Forty-three percent thought this would make it harder to explain to clients why they were no longer eligible.

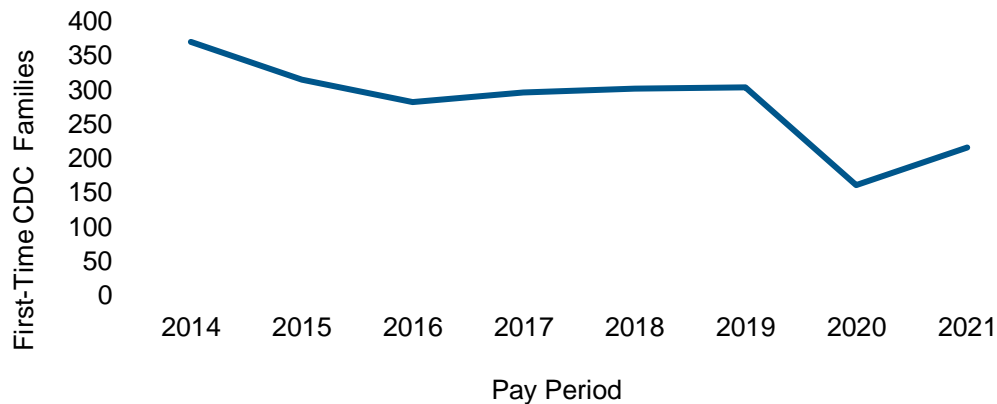


Figure 1. Average Number of First-Time CDC Families per Pay Period



Increased Payment Rates

- Providers strongly supported the rate increases. They reported reducing family costs, increasing staffing or wages, and purchasing more high-quality equipment or supplies.
- Most eligibility specialists felt the rate increase was not communicated well to them or to clients. Fifty-seven percent of specialists thought the billing information needed improvement.
- State agencies highly rated the coordination around the payment rate change.

“I’m going to say that, for the first time ever, it seems that the State of Michigan is reimbursing at a rate that programs are charging for child care. Now, this rate is temporary. I don’t know what’s going to happen when this rate then goes back to whatever levels of subsidy it’s going to go to.” – Child Care Provider



Family Contribution Waiver

- Providers had positive opinions of the waiver despite having little experience with it. They perceived it as offering financial relief to families.
- Parents did not perceive the waiver as a significant influence on their child care use.
- Parents aware of the family contribution waiver learned about it from different sources. They were nearly evenly split on whether the communications were clear.
- Overall, eligibility specialists thought the waiver was not communicated well to them (52%) or to clients (48%).
- Eligibility specialists thought it would be difficult to explain the end of the waiver to clients. The majority reported having difficulty explaining the family contribution (64%).
- Specialists were divided on the impact of ending the co-payment waiver. Urban specialists thought it would have a bigger impact—positive or negative—than rural specialists.
- State partners reported strong agency communication and cooperation around the waiver, but were wary of this policy’s longer-term implications for a benefits “cliff” and the inability of the current system to monitor provider compliance with the policy.

“I’d have to look at the cost and then weigh that out with what I make per hour. I’m a number cruncher kind of person.... I would have to weigh that out and then see what the benefits are [of switching to a more expensive or higher rated provider].” – Parent

Recommendations

- **Stabilizing the Market.** In times of downturns in the economy—whether driven by a catastrophic event or not—policy has a role in combatting negative consequences for workers who need child care and those who provide that care. Policymakers should be mindful of the vulnerabilities in this market and seek to add stability.
- **State Funding.** Program administrators and the Michigan Legislature should consider state-funded opportunities to make the current, more generous CDC policies longer lasting or permanent as the state continues to address child care affordability and supply challenges.
- **Improved Communication.** MDE/OGS and MDHHS should continue to communicate policy changes and implementation steps to the eligibility specialists, providers, and families, with increased emphasis on the clarity and frequency of communication. Investigate ways to explain the often-confusing co-payment policy more readily.
- **Expanded Outreach.** State partners in the CDC program could increase awareness and understanding of policy changes by engaging in robust outreach to non-participating providers and families in an effort to expand case numbers, particularly while the increased eligibility threshold, payment rates, and waiver of family contribution are in effect.
- **Coordinated Planning.** Through state partner discussion and coordination, carefully prepare for the end to the temporary policies to reduce negative impacts for families, providers, and specialists.

Data Sources and Methods

In spring 2022, the research team held telephone interviews with families and providers. Parent participants were recruited from a stratified random sample of CDC clients who had cases in 2021; provider participants had received payments from the program at some point during the year. PPA also conducted a survey of MDHHS eligibility specialists (i.e., caseworkers). The state partners took policy coordination self-assessments, designed by PPA, to reflect on their joint implementation efforts. Those indicators were rated on a 1.0 (low) to 4.0 (high) scale.

The 2021 secondary data used to sample parents were from Michigan’s Bridges database. The analysis of the eligibility-threshold change from 130% FPL to 150% FPL compared the utilization of assistance by 2021 CDC participants to those in 2020 and 2019. The increase to 185% FPL will be analyzed statistically at a later time but was discussed in parent and provider interviews.

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