Public Policy Associates

The Burden of Change

LEARNING, COMPLIANCE, AND PSYCHOLOGICAL COSTS OF CHANGES TO MICHIGAN'S CHILD DEVELOPMENT AND CARE SCHOLARSHIP PAYMENT AND COPAYMENT STRUCTURE

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Public Policy Associates is a public policy research, development, and evaluation firm headquartered in Lansing, Michigan. We serve clients in the public, private, and nonprofit sectors at the national, state, and local levels by conducting research, analysis, and evaluation that supports informed strategic decision-making.

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Introduction

Making each state's child care assistance program successful requires coordination among many individuals who have different functions: state administrators, eligibility specialists (i.e., caseworkers), and program beneficiaries, which includes both families and child care providers. In Michigan, the child care assistance program funded through the Child Care and Development Fund (CCDF) is known as the Child Development and Care (CDC) Scholarship program. By paying attention to administrative burden, state administrators can make the CDC Scholarship program easier for eligibility specialists, families, and providers to navigate, thereby increasing access to high-quality child care for eligible families.

Administrative burden takes different forms for different groups. It may appear as psychological, learning, or compliance costs (Figure 1). Lessening the burden across these dimensions can improve program functionality and user satisfaction.

FIGURE 1. ADMINISTRATIVE BURDEN COST DIMENSIONS

In an ongoing study, the research team at Public Policy Associates (PPA) is examining how eligibility specialists, providers, and families who participate in the CDC Scholarship program experience administrative burden. This brief summarizes recent findings about these groups' perceptions of administrative burden and the level of complexity of the program's written materials. The team assessed the degree of administrative burden through interviews, panels, surveys, and document analysis.

This study proceeds from the hypothesis that when a program makes changes, administrative burden first increases and then—with greater familiarity and as problematic issues are addressed—it decreases. Michigan made temporary changes to the CDC

Scholarship payment structure (i.e., short-term rate increases and suspension of the family contribution requirement), in addition to introducing new, permanent policies that allow billing based on enrollment rather than attendance and payment by consolidated time blocks for licensed providers (see Table 2 in the Appendix). We predicted that decreased administrative burden would be linked to increased program participation overall and for specific groups with different characteristics (e.g., home-based vs. center-based providers).

The team measured administrative burden for families, providers, and eligibility specialists in terms of learning costs (e.g., reading comprehension of materials), compliance costs (e.g., delays), or psychological costs (e.g., frustration when information is not received).

Methods

This study combined secondary (administrative) and primary data to assess the types of administrative burden families, providers, and eligibility specialists with the CDC Scholarship program experienced, as well as how administrative burden may have affected program participation. Secondary data included CDC payment data that recorded biweekly payments made to providers. Payment data from January 2021 to December 2023 was analyzed to evaluate participation over time (for providers, families, and children) and differences in participation by demographic characteristics (e.g., geography, race/ethnicity) as policy changes were implemented. The research team also examined aggregated case error rate data in CDC applications and recertifications from January 2021 through October 2024 to see what impact changes had on the frequency or type of error.

Additionally, program letters and memoranda issued by the State that describe policy changes were coded for level of complexity. For this study, analysts coded seven letters and memoranda issued between 2021 and 2024. These materials were assessed on three different measures of complexity: volume (i.e., length), readability (i.e., grade level), and references (i.e., external links or documents). The appendix at the end of this brief contains more information about measurement of volume, readability, and references (Table 4).

Study Overview

PPA and the Michigan Department of Lifelong Education, Advancement, and Potential (MiLEAP) are partnering for a four-year study of the CDC Scholarship program's payment rates and structures. The mixed-methods study includes administrative data and review of program documentation, as well as insights from providers, families, and eligibility specialists. An advisory group provides additional perspectives to the research team. The analyses aim to understand any disparities in outcomes and how administrative burden affects program participation and families' access to child care.

Primary data included surveys fielded to eligibility specialists and child care providers, interviews with families, as well as a longitudinal panel of a group of providers. See Table 1 for more details about the sample sizes and timing of the primary data collection activities. Further details about the methods used are available in the Appendix.

TABLE 1. PRIMARY DATA COLLECTION ACTIVITIES

DATA COLLECTION TYPE	SAMPLE SIZE	DATA COLLECTION TIME PERIOD
Eligibility Specialists Survey	562	April – May 2024
Provider Survey	400	June – July 2024
Family Interviews	42	July – September 2024
Provider Panels	11	February 2024, August 2024

Results

THE COMPLEXITY OF PROGRAM MATERIALS AND COMMUNICATIONS

Program materials are often the most visible indication of administrative burden. Document, sentence, and word length influence reading comprehension and may increase a reader's burden by making the material more challenging to understand and act upon. Also, the number of references that a document may make to other materials, like a website or form, adds layers to the information readers must process to have a complete understanding of the information.

Program documents are more complex when policies are first introduced, multiple policies are covered, or multiple audiences are addressed.

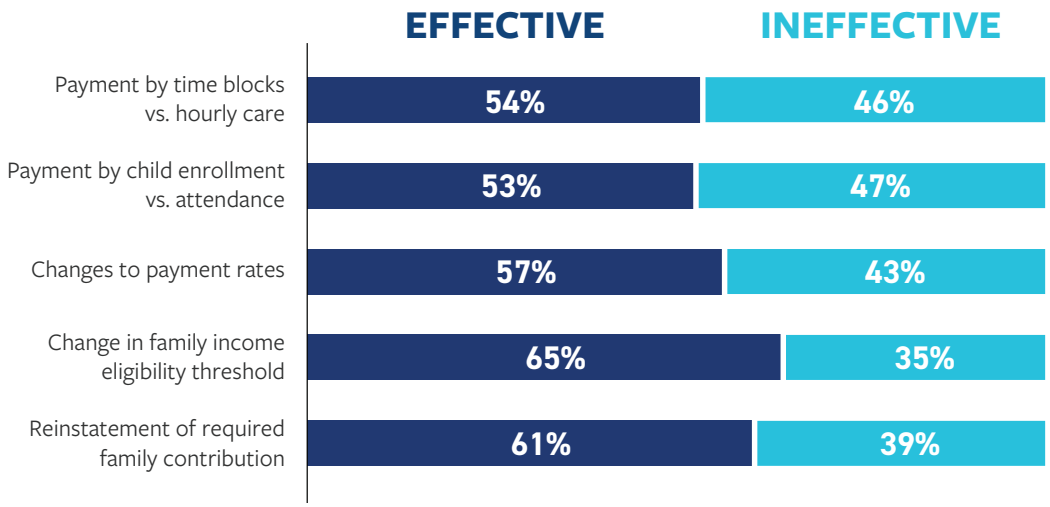
For the most part, the letters and memoranda examined were written for readers with a 10th to 12th grade or lower reading level. This is higher than the reading levels that government agencies like the Centers for Disease Control (2016) and the Environmental Protection Agency (2024) recommend, which both suggest a 7th or 8th grade reading level (the lower end of the estimated average reading level of the U.S. population). Most documents were short, though the documents that describe new policies or many policy changes together were longer and contained more references. Readability was more complex for the documents issued in September 2022 and September 2023, when documents addressed both parents and providers. (See Table 4 in the Appendix for further information.)

Communications to eligibility specialists about policy changes directly affecting families were more effective than those about policies directly affecting providers.

Eligibility specialists were varied in the degree to which they thought policy changes to the CDC Scholarship program were communicated to them (Figure 2). They generally agreed that the reinstatement of the required family contribution (61%) and the increase in the family income eligibility threshold to 200% of the federal poverty level (FPL) (65%) were communicated effectively. Fewer eligibility specialists (57%) believed there was effective communication about changes to provider payment rates. Further, just over half of the eligibility specialists thought the communication about changes to payment by child enrollment instead of attendance (53%) and payment by time blocks instead of hours

of care (54%) was effective. These results may reflect that eligibility specialists have no interactions with providers or the payment process. Just over half of all respondents (52%) indicated that they were satisfied with the notice they received about policy changes.

FIGURE 2. ELIGIBILITY SPECIALISTS' PERCEPTIONS OF HOW EFFECTIVELY POLICY CHANGES WERE COMMUNICATED TO THEM



Program communication timeliness and clarity were important factors in providers' experiences of administrative burden.

One principal source of administrative burden for providers was the communications about new or updated CDC Scholarship payment rules. Provider panelists experienced learning and compliance costs when the billing by enrollment and approved time block policies went into effect for certain situations, such as extended child absences, weeks with holidays, or other times when a provider was closed. Concerns about their accountability for billing accuracy heightened the perception of the administrative burden for the providers. For instance, some worried that inconsistencies coming up during audits when the hours of care (based on the parent sign-in and sign-out times) did not match the billed hours, or when a provider continued to bill based on enrollment only to find out later that the child's family no longer had a scholarship.

Providers also experienced administrative burden in connection with poorly timed or inaccurate information about the status of individual scholarships. Licensed providers are situated between the family and the State when it comes to payment through the program, and their businesses can be immediately impacted if not paid on time. During the panel, providers commented that they need to receive information about changes in a family's status (e.g., application approval, approved hours) at about the same time the State informs the family.

Further, once providers receive information that affects a family's child care schedule or cost, they may expend time and effort to explain the impact to parents, including any change in child care use or payment responsibility.

ADMINISTRATIVE BURDEN COSTS FOR ELIGIBILITY SPECIALISTS

The eligibility specialists determine whether applications for the CDC Scholarship should be approved and how many hours of child care the program will pay for based on family needs. Their experience of administrative burden as employees of the State is different from providers and families in connection with the program. Understanding the program from their perspective is equally important to identifying the impact of changes and opportunities to improve.

Eligibility specialists experience compliance and learning cost burdens as the gatekeepers to the scholarship.

The eligibility specialists reported spending significant time reminding families of program compliance requirements; 64% agreed that clients either occasionally or never submit all the required information at the time of the CDC application. The majority of eligibility specialists agreed (76%) that families need multiple reminders to submit their verifications on time.

The specialists also experienced compliance costs in meeting expectations for program data entry. Nearly three-quarters of eligibility specialists (70%) reported that they enter the same information into Bridges (the Michigan data system for public benefits) multiple times for the same case. Additionally, eligibility specialists largely agreed (84%) that policy changes at least somewhat impacted the usability of the Bridges system.

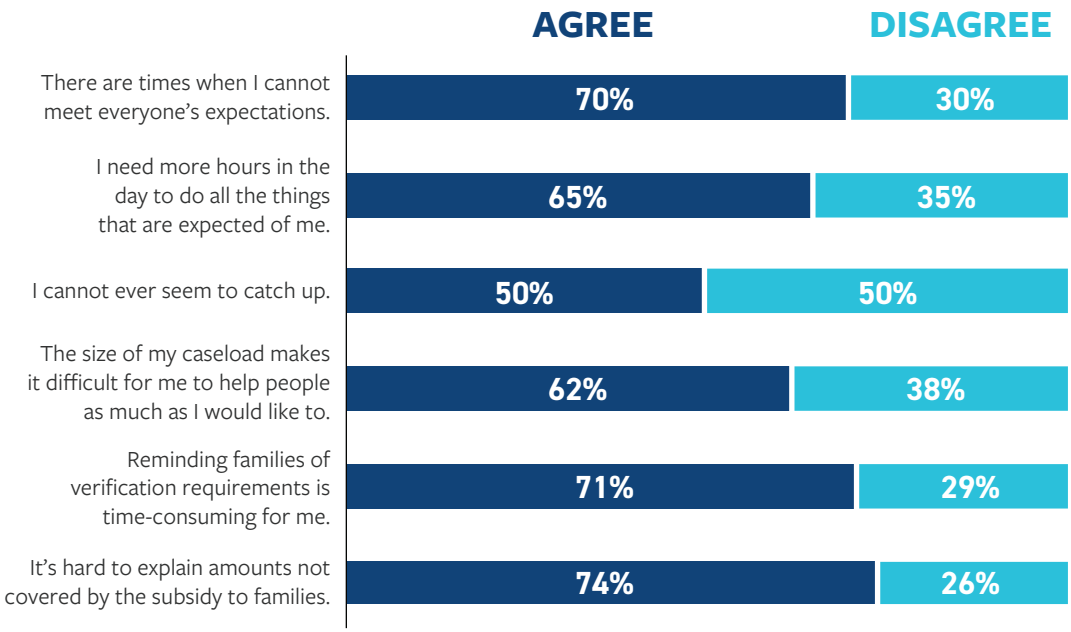
In addition, many specialists (74%) indicated that they have a difficult time explaining to families what child care costs may not be covered by the CDC Scholarship, like when there is a family contribution required by the State or a family owes an amount to their provider beyond what the scholarship pays.

Eligibility specialists' caseload size affected their perceptions of program compliance costs. This was particularly true for specialists who do not share caseloads.

More than half of the eligibility specialists (62%) indicated that the size of their caseloads made it difficult for them to help as many families as they would like to help (see Figure 3). Specialists working in non-Universal Caseload[1] (UCL) offices felt this most strongly (83%).

Many specialists also reported that they could never seem to catch up with their work (50%), whereas about two-thirds (65%) indicated they needed more time in the day to do what is expected of them. Seventy percent of the specialists reported feeling like they cannot always meet the expectations that others have of them. Lastly, in comparison with other public benefit programs they handle, most eligibility specialists (63%) believed that CDC Scholarship cases are more difficult to process.

FIGURE 3. ELIGIBILITY SPECIALISTS' LEARNING AND COMPLIANCE BURDENS



1 Universal Caseload is a case management model where pools of eligibility specialists handle the cases, as opposed to a traditional model where individual cases are assigned to individual specialists. Michigan has a mix of both approaches across its county offices.

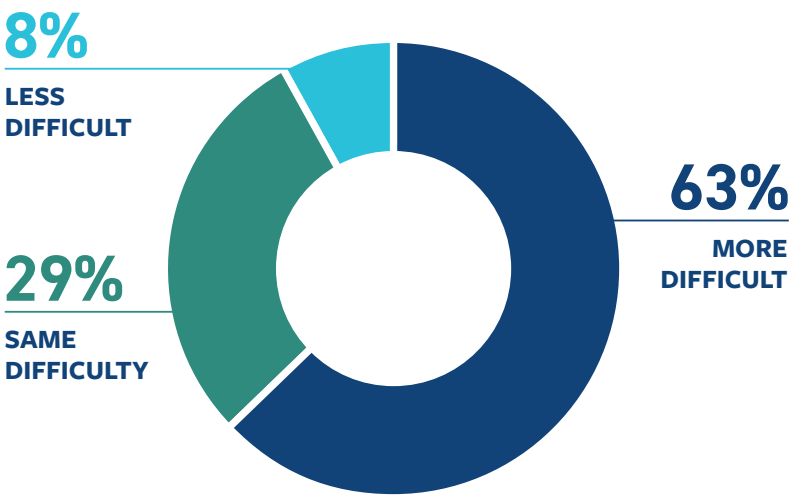
Eligibility specialists largely perceived no impact from the policy changes on their experience of administrative burden from the program.

Despite the magnitude of CDC Scholarship changes over the past several years, most eligibility specialists indicated that the level of administrative burden did not change for them. Just over two-thirds of specialists (68%) said that assessing eligibility for the program took the same amount of time in April 2024 as it did before October 2023. Similarly, most eligibility specialists generally agreed (71%) that determining benefits takes the same amount of time as before. In addition, 74% of eligibility specialists indicated that closing a CDC Scholarship case takes the same amount of time as it took before.

Eligibility specialists largely agree that CDC Scholarship program cases are more difficult to process than other public benefits programs.

Although the policy change did not impact eligibility specialists' perceptions of administrative burden, more than half of eligibility specialists (63%) perceived CDC Scholarship program cases as being more difficult to process than other public benefits programs (Figure 4).

FIGURE 4. ELIGIBILITY SPECIALISTS' PERCEPTION OF CASE PROCESSING FOR THE CDC SCHOLARSHIP PROGRAM COMPARED WITH OTHER PUBLIC BENEFIT PROGRAMS



Error rates ticked downward modestly in recent years, indicating an improvement in burden on specialists and parents, but still remain high.

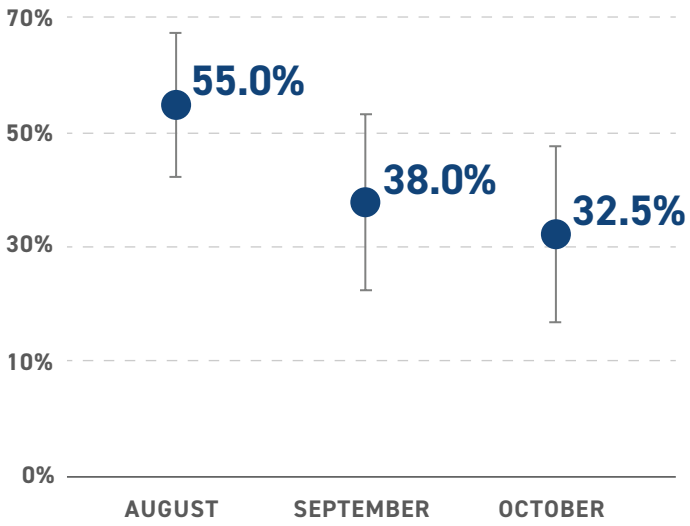
Eligibility specialists averaged at least one administrative or general error of varying types in more than half (60%) for CDC applications from November 2022 through November 2024. On average, this rate decreased by one percentage point each month, but this was influenced

by a sharp decline in error rates between September and October 2024. In August 2024, error rates were still relatively high at 55%, but September and October's 2024 rates were dramatically lower at 38% and 33%, respectively (see Figure 5).

One explanation for the decrease could be the new reporting guidelines implemented at the start of the 2024 fiscal year, as opposed to markedly increased efficiency. Changes to the reporting guidelines consisted of error removals, condensing uncommon errors into other categories, and re-categorizing errors from improper payments to administrative errors to better align with federal rules. However, none of these changes had a substantial impact in isolation.

Another explanation for the decrease in error rates is the small sample of cases that were audited by the State for errors. Only 40 to 80 cases were audited in a given month, whereas 150 to 200 would have been needed to be representative of the total cases processed in a given month. Due to this, a statistical difference in error rates between August and October could not be determined. See the Appendix for further discussion of the State's case review process.

FIGURE 5. CDC SCHOLARSHIP CASE ERROR RATES, AUGUST-OCTOBER 2024



When examined on an annual basis rather than a monthly basis, there was a statistical difference in the number of cases with at least one error between 2023 (64%) and 2024 (53%). However, annual estimates may still be biased because they do not account for biases that may exist between months (e.g., if more cases were processed at certain times of the year). Additionally, the annual error rate calculation may overly weigh the importance of September 2024 and October 2024.

The most common errors had to do with application and redetermination forms, as 29% of all cases had one of these errors. About two-thirds of cases with application and redetermination forms were the result of either the parent or provider not receiving written notification of child eligibility. Other common errors other than application and redetermination forms included errors with qualifying care (24%) and income standards (14%). Almost all the cases with qualifying-care errors were because the authorized hours were incorrect, whereas the errors due to income standards were split between income verification and whether all income was considered.

ADMINISTRATIVE BURDEN COSTS FOR PROVIDERS

For providers who participate in the CDC Scholarship program, payment-related policies and, to a lesser extent, the family contribution policy, impacted their incomes. With each pay period, they interacted with the program's infrastructure (e.g., data system and reporting requirements). In the provider survey and panel sessions, the research team identified several ways that administrative burden manifested for providers.

Providers' administrative burden costs declined with the billing policy changes but they found that the changes introduced new administrative burden costs.

Panel participants also found that billing by enrollment and approved time blocks not only gave them more predictability in their finances but also significantly reduced their administrative burden costs. A center director spoke for many panelists when she said: "I think [billing by approved time block] made it easier. I don't see a difference in the reimbursement times, but I know when it comes to how we bill per block, it just made it easier for us to do so." These billing policies, however, did not eliminate the compliance cost of continuing to report daily child care hours.

You got like the same kid on your I-Billing for five times, five times in a row, which makes your pages be 20 pages long.... [T]hat alone causes providers to make mistakes.... You don't know, "Did I bill for this child? Didn't I bill for this child?" I don't know because the child could be on there [numerous] times. That causes more mistakes across the board, I think, for providers.

– Center Director

However, they still experienced some challenges with billing that centered on proper billing of certain absences, as well as holidays and vacations. Panelists reported that I-Billing generates cumulative or duplicate copies of each child's approved hours, which increased the time, confusion, and errors for them. They also reported learning and compliance costs when they were unable to identify and reach knowledgeable program staff, experienced lengthy wait times (sometimes running into days between provider contact and response), and encountered a lack of clear and consistent responses from different program staff members.

Providers experienced greater psychological costs compared to learning and compliance costs.

Learning costs were generally low for providers as measured by the survey. The vast majority were at least somewhat familiar with the change in provider payment rates (89%), as well as changes in payment by child enrollment versus attendance (86%) and payment by time blocks versus hours of care (80%). However, many providers (68%) also said that they are unsure of who to contact for help when they have a problem, and less than half (43%) said that state agencies are responsive when their assistance is needed.

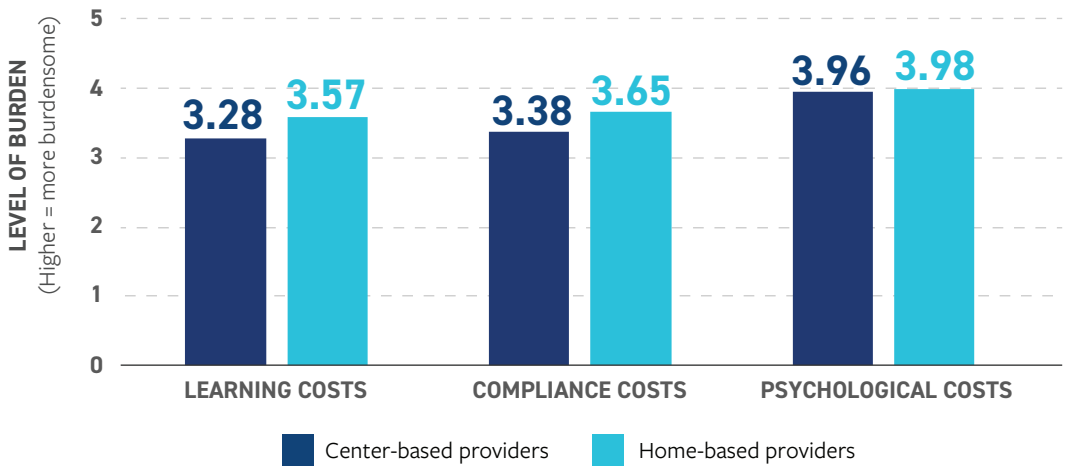
While the familiarity with policy changes reduces learning costs, the lack of responsive assistance contributes to greater stress and increased psychological costs overall (see Figure 6). Providers experience external pressures and other stressors that interacted with the program changes to make participation more burdensome.

Administrative burden was highest for home-based providers.

From the provider survey, home-based providers reported significantly greater learning and compliance costs than center-based providers. The reason for this could be that home-based providers are mainly sole proprietorships, where nearly all duties fall to the lead teacher/caregiver, whereas centers have additional staff to share the workload and the costs of administrative burden.

In general, an increase in the number of CDC Scholarship children a provider cares for increases the administrative burden of the billing process. Some centers have been able to mitigate this impact by leveraging economies of scale, such as by dedicating experienced or specialized staff to CDC Scholarship billing entries and by standardizing enrollment and monitoring procedures. As compared to home-based providers, it seems that some centers can better optimize and coordinate the use of approved time blocks and the mix of CDC scholarship and private pay families under care.

FIGURE 6. ADMINISTRATIVE BURDEN BY COST AND PROVIDER TYPE



ADMINISTRATIVE BURDEN COSTS FOR FAMILIES

For families, the CDC Scholarship program is an opportunity to have more affordable child care. Although this program does not require frequent eligibility verifications (unlike other public programs), it still comes with some administrative burden costs, particularly at times of eligibility determination and family changes.

Families generally find the program manageable and beneficial, but eligibility and situational changes raise families' administrative burden.

Many of the families interviewed (62% of 42) felt that the application and approval process was reasonable for the benefits received, and most (67%) found program materials to be clear and their participation smooth. They still experienced some administrative burden, however. Compliance, learning, and psychological costs arose when changes occurred to families' personal circumstances, when they had difficulty submitting verifications, and when they had questions for eligibility specialists. These situations often triggered challenges for families in complying with program requirements or timelines and led to confusion about eligibility.

Common Points of Increased Administrative Burden for Families

- **Job transition**
- **Moving**
- **Child care hours needed**
- **Program communications**
- **Verification submission**
- **Questions about application or redetermination**
- **Special circumstances (e.g., seasonal work, foster care)**

Few parents (17%) had questions regarding issues related to family contributions, payments, or understanding of program materials; but for those who did, it caused increased burdens for them because of long wait times for answers, poor communication with eligibility specialists, or delays in processing payments. These experiences not only added to stress (a psychological cost) but also, in a few cases, diminished the program's value for families, particularly when delayed payments forced families to pay out of pocket or providers went unpaid.

Time-block payment was largely seen as an improvement to the program, offering more flexibility, though families with irregular schedules faced more difficulties. The end of temporary provider rates affected 21% of the families interviewed, with over half of those experiencing increased out-of-pocket costs and stress.

Despite this, half (50%) of the parents interviewed still found the effort to report changes reasonable. Parents viewed the overall program as fair given its strong impact on their ability to afford high-quality child care. While some parents raised concerns about the fairness of the program's income limits and timelines, and the resulting impacts on eligibility and access, they believed the program's value generally outweighed the challenges.

Some families—especially Black families, those with fewer children in the program, and those newer to their providers—reported greater administrative burden.

Across those interviewed, three out of four families who identified as Black reported experiencing payment delays after having program questions. Black families also more often cited experiencing effects from the approved time block (63% out of 8) and provider payment rate (67% out of 9) policy changes, though effects were similar across groups. It is important to keep in mind that these results may not be generalizable because of small sample sizes. Additionally, families using license-exempt providers (33%) and licensed family home providers (44%) more often experienced effects from the provider payment rate changes, mainly higher out-of-pocket costs.

Perceptions of unfair income limits (43% of 42) were more common among Black families (72%), families with only one child in the program (50%), and those who had their provider for two years or less (67%). Most highlighted cost of living considerations and perceived penalties for one's financial improvement. Unfairness regarding program timelines was noted by about a quarter of the interviewees (24%) but was more frequently reported by families with only one child receiving the scholarship (70%).

IMPACTS ON PROGRAM PARTICIPATION

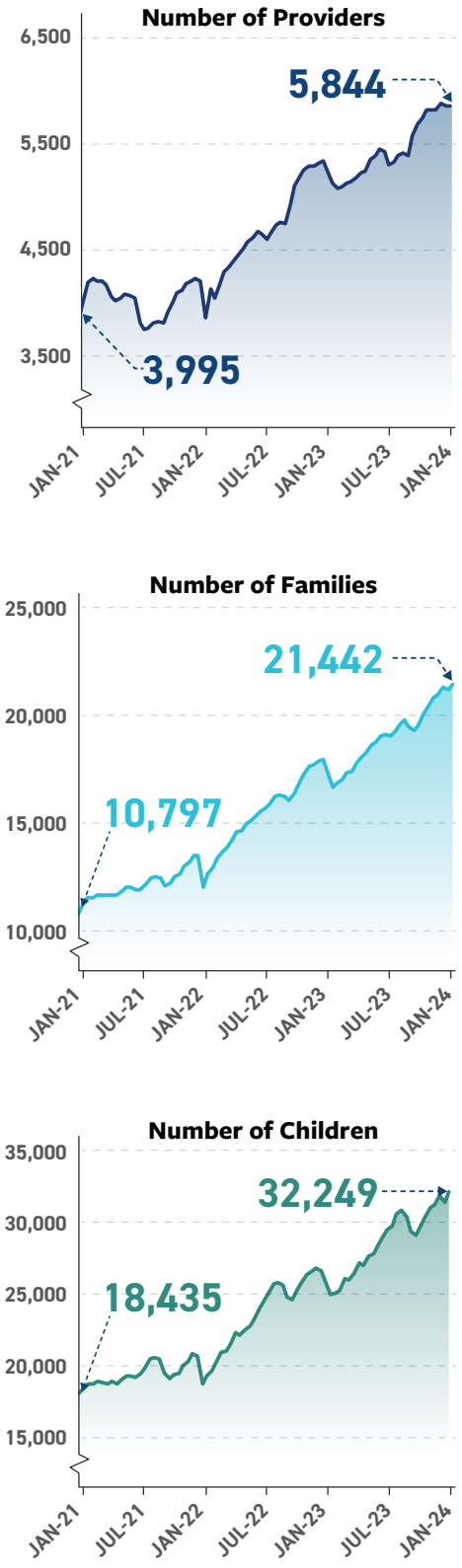
The level of administrative burden can affect a program's participation. Where the burden on the participant is high, it can deter them from completing processes and making use of the benefit (Lin et al., 2022; Jenkins & Nguyen, 2022). For this program, to assess whether the experiences of families and providers were impacted by the burden of the CDC Scholarship program, the team examined the program records for the three-year period between January 1, 2021, and December 31, 2023.

More providers, families, and children are participating in the CDC Scholarship program than ever before.

The acute period of the COVID pandemic from 2020 to 2022 saw marked reductions in CDC Scholarship utilization (Graber et al., 2024). Data are now available that track these metrics through the end of 2023, which show that program participation has rebounded (Figure 7). The number of providers receiving CDC Scholarship payments in December 2023 (5,844) exceeds the previous high set before the pandemic (5,698 in November 2019). Likely due to increased family eligibility, the most recent round of payments in December 2023 (representing 36,223 children in 21,827 families) is higher than any prior pay period studied.

The percentage of families who receive CDC Scholarships living in urban areas has ticked up slightly (from 82% in 2021 to 84% in 2023), as have the number of children with scholarships who are people of color (55% in 2021 to 60% in 2023).

FIGURE 7. CDC SCHOLARSHIP PARTICIPATION, 2021-2023



The number of home-based providers and children in home-based slots continues to decline.

While the number of provider, family, and child participants in the program has been increasing, licensed CDC scholarship slots have become more concentrated in centers. As of December 2023, just under 50% of licensed providers who receive CDC Scholarship payments were home-based providers. This percentage reached a low point in September 2021 until February 2022 (44%), whereas prior to the pandemic, home-based providers accounted for more than half of active CDC Scholarship program providers (e.g., 53% in July to August 2019). Likewise, the percentage of home-based slots filled by a child with a scholarship was 27% as of December 2023, down from a high of 30% in summer 2019. The number of center-based slots filled by a child with a scholarship more than doubled between January 2021 (10,148 children) and December 2023 (20,685). While the number of children in home-based slots also saw an increase in this period, it was much lower (63% increase; 4,906 to 8,015).

The frequency and overlapping nature of the policy changes makes it challenging to attribute these trends to any particular program change.

As illustrated in Table 2 of the Appendix, the years 2021 to 2023 was a period of significant policy change for the CDC Scholarship program and its participating providers and families. One concern is that the many program changes might have caused confusion that deterred participation. This is not evident from the data. In fact, participation is higher since that time, suggesting that the generosity of the program changes is having its intended effects of reaching more providers and families during uncertain economic times.

IMPACTS ON PERCEIVED PROGRAM VALUE

Administrative burden can also affect how providers and parents perceive the costs of administrative burden relative to the value of program participation. Program participants who perceive the level of burden as exceeding the benefit they receive from the program (e.g., compliance steps compared with scholarship amount) may elect not to participate. For providers, the effort-to-value weighting pivots on a monetary benefit too, with the predictability of payment an important consideration.

Providers valued the program and tended to treat administrative burden as a cost of business, which could be mitigated in part through providers' own adaptations.

Panel providers highly valued their participation in the CDC Scholarship program, which many had maintained over the years. They seemed to recognize the advances made in program payment policies and practices since the pandemic, and as another center director emphasized, the State should continue to improve CDC Scholarship program payment policies for providers.

The [payment] policies were great. There's some policies that could be tweaked. Some communications can be better. But overall, the effect toward the... center and to the families... was more positive than anything negative.

– Center Director, Southeast Michigan

"I don't want to go back. I think [Michigan] should keep moving forward."

– Center Director, Upper Peninsula

To try to control administrative burden associated with the program, panelists described how they developed efficient enrollment processes for accuracy, protecting their financial interests and facilitating parent understanding of the scholarship. A few explained how they documented their billing practices and gathered supporting evidence to facilitate compliance and prepare for audits. As a matter of business, some sought to manage program participation

costs and benefits in how they balanced scholarship families and private pay families. A few provider panelists said they had intentionally developed strong relationships with program staff, whom they could contact for program-related information and guidance.

Families see the program as beneficial, with benefits in supporting employment, improving care quality, and meeting their family needs.

Despite some administrative burdens, most families thought the CDC Scholarship program worth the effort. The program enabled most parents (83%) to work or attend school and helped 71% of those interviewed access higher-quality care. The majority found the application and redetermination processes reasonable, citing quick approvals and supportive eligibility specialists. Additionally, the program helped 69% of families adequately address their specific needs, such as care that fit their work schedules or a child's special needs.

"Because I started work first and I had to find childcare second.... In that time, I'm being determined whether or not I can have child care. I'm trying to work, find a babysitter, and then I'm watching MDHHS every single day to see if I'm approved or not.... My stress level was through the roof."

- Parent, Wayne County

Although the CDC Scholarship program was valued slightly less among home-based providers, the program was widely praised as worthwhile and important.

The perceived value of the CDC Scholarship program changed more among home-based providers, as compared to center-based providers. Although most providers (64%) were no less willing to accept scholarship families due to the associated administrative tasks, this sentiment was stronger among center-based providers (67%) than it was among home-based providers (60%). Similarly, policy changes more strongly impacted home-based providers' willingness to accept scholarship families in the future. Fifty-four percent of home-based providers shifted their willingness to accept scholarship families because of changes in provider payment rates, whereas less than half of center-based providers (42%) reported this shift. Home-based providers (56% and 49%) also experienced a shift in their willingness to

accept new families due to changes in payment by child enrollment versus attendance and payment by time blocks versus hours of care, respectively, but less than 40% of center-based providers were affected to the same extent by either policy change.

Despite differences in the willingness to accept scholarship families among home-based providers and center-based providers, a vast majority of providers (90%) agreed that accepting scholarship families is worth the effort. Furthermore, 100% of providers believe that the CDC Scholarship program is important, demonstrating its high perceived value despite the administrative burden providers encounter across dimensions.

Discussion

This study illustrates how the administrative burden of Michigan's CDC Scholarship program manifests across different groups (families, providers, and eligibility specialists) during a period of significant policy transition. There are some encouraging outcomes; notably, the number of provider, family, and child participants increased between 2021 and 2023 to levels not seen since before the pandemic. This suggests that policy changes had their intended effect of expanding access to affordable, quality child care. Additionally, case error rates are declining, and most eligibility specialists did not report increased administrative burden resulting from program changes. At the same time, other groups experienced significant learning, compliance, and psychological costs, particularly home-based providers and families navigating complex or changing life circumstances.

In addition to challenges with technology (Bridges for eligibility specialists, I-Billing for providers), communication was a theme across all groups. Inadequate or overly complex communication increases learning, compliance, and psychological costs. The analyses of program documents communicating policy changes to providers and families showed that despite their brevity, they tend to have reading levels higher than recommended for government communications. While most eligibility specialists felt the program changes were effectively communicated to them, families and providers did not feel the same. Clearer guidance and more responsive support systems for all groups (parents, providers, and eligibility specialists) could significantly reduce the administrative burdens of program participation.

Among providers, particularly home-based providers, administrative burden remains a significant challenge. Some changes (like billing based on enrollment and time-block payments) have successfully reduced their financial uncertainty, but providers face ongoing compliance and psychological costs around data entry and recordkeeping. As such, providers with fewer resources (including time, staffing, and updated technology), are more vulnerable to administrative burden. This issue is important for equity of access, particularly given the decline in home-based slots. Families who prefer and/or rely on home-based care due to cultural preferences, location, or flexible hours may find their options shrinking.

Similarly, families with fewer resources (such as single parents and families without stable employment or housing) often shoulder the heaviest administrative burden. Their compliance and psychological costs arise most frequently during times of transition: employment changes, updating addresses or income, or changing providers. These changes often trigger new verification requirements and contact with eligibility specialists, which occur at times of already elevated stress. Long wait times to get answers to questions or unclear information further burden families. Any delay in approval or provider payments may require families to pay out of pocket. Families often experience administrative burden not because they lack eligibility or are unwilling to comply but because program communications and staff responsiveness are falling short during key moments.

Conclusions

POLICY RECOMMENDATIONS

Based on the research to date on the CDC Scholarship program's administrative burden for eligibility specialists, providers, and families, we offer these recommendations to Michigan's CCDF Lead Agency:

- Increase the readability of communications and program documentations by aiming for an 8th grade reading level and consider creating short videos explaining key policies.
- Address program misunderstandings with providers surrounding state-controlled policy choices and federally mandated program requirements, like ongoing tracking of attendance despite a policy of billing by enrollment. Webinars, partner newsletters, letters, or "did you know" style pop-ups in the billing system could be used to convey the messages effectively.
- Provide additional training and reminders to eligibility specialists about how to explain the family costs of child care beyond the scholarship and CDC Scholarship policy changes.
- Continue to examine with the Michigan Department of Health and Human Services (MDHHS) ways to reduce verification submission gaps, which is a burden on eligibility specialists and families.
- Help home-based providers maintain stable operations and accept scholarship children through professional development, quality improvement grants, and other supports. Encourage them to share how they reduce the administrative burden of program participation with their peers.
- Expand the UCL model to more county offices for eligibility specialists, who benefit from sharing caseloads with others.

NEXT STEPS

As the study continues this year, we will examine the trends in administrative burden in the program through additional data collection and analysis. Specifically, we will hold further provider panels, conduct surveys with providers and eligibility specialists, and speak with more families about their experiences with the CDC Scholarship program. In addition, we will follow trends in program participation and scholarship use as additional secondary data becomes available.

A forthcoming brief from the study summarizes the longer-term results for the providers who engaged in the pilot to expand infant-toddler slots.

Appendix

CHILD DEVELOPMENT AND CARE SCHOLARSHIP PAYMENT STRUCTURE

The policies and changes included in the analysis for this brief are shown in the following table. These include payment rate changes and billing-related policies, as well as those related to eligibility.

TABLE 2. RELEVANT PROGRAM CHANGES, 2021–2024

POLICY AREA	DATES	STATUS	DESCRIPTION
Payment rates	10/2021 – 9/2022	Ongoing	Provider rates increased 30% for FY22
Payment rates	10/2021 – 3/2022	Temporary	Provider rates increased an additional 50% (relative to FY22 baseline)
Payment rates	4/2022 – 9/2022	Temporary	Provider rates increased an additional 40% (relative to FY22 baseline)
Payment rates	10/2022 – 9/2023	Temporary	Provider rates increased for FY23, with an additional temporary increase
Payment rates	10/2023 – 9/2024	Ongoing	End of temporary payment rate increases; new permanent rates established for FY24
Payment rates	9/2024 – present	Ongoing	Provider rates increased 15% for FY25
Block reimbursement	10/2022 – present	Ongoing	Time-block reimbursements for licensed providers adjusted
Family contribution	11/2021 – 9/2023	Temporary	Family contribution suspended for all families
Income eligibility	11/2021 – 6/2022	Temporary* (Superseded)	Family income eligibility entrance increased from 150% FPL to 185% FPL
Income eligibility	7/2022 – present	Temporary*	Family income eligibility entrance increased from 185% FPL to 200% FPL
Enrollment billing	11/2021 – present	Ongoing	Licensed providers bill by enrollment, not attendance

** The increases will end if program enrollment exceeds 40,000 children per month for three consecutive months, which triggers a change to 160% FPL.*

METHODOLOGY NOTES

Secondary Data

CDC Payment Data

The PPA team conducted secondary analyses using 2019-2023 administrative data obtained from the Bridges system, including payments made to providers on behalf of families receiving the subsidy. Payments were made to providers on a biweekly basis (i.e., every two weeks). The data also included demographic information, such as provider type and county in which families lived (i.e., rural or urban). Cases in which child or provider identifiers appeared more than once in any single pay period were filtered out to determine the most accurate descriptive information about providers and families. In particular, the analysis focused on identifying the frequencies of unique providers, families, and children for each pay period, so omitting duplicate provider identifiers was a necessary step in assessing changes across time.

Error Rate Data

To compute the error rates for CDC Scholarship applications and recertifications, analysts used reports generated monthly for each county within a given Business Service Center region by MDHHS. Table 3 shows error types and categories reported.

TABLE 3. CDC SCHOLARSHIP CASE ERROR TYPES AND CATEGORIES REPORTED

ERROR CATEGORY	TYPE
Application/ Redetermination Forms	Is there a signed application in the case file?
	Was the parent and provider provided written notification of Eligibility for Child Care Services?
	Did the family declare the assets do not exceed $1,000,000?
	Was the DHS-4025 completed and included in the case file?
Qualifying Head of Household	Qualifying head of household requirement met for the child(ren)?
Residency	Parent is resident of State?
	Was the proper verification for residency in the case file?

ERROR CATEGORY	TYPE
Parental Work/ Training Status	Is there a valid need reason(s) for Parent 1?
	Parent 2?
	Was the need reason verified correctly for Parent 1?
	Parent 2?
Qualifying Child	Does the child meet one of the eligibility criteria listed?
	For child over age 13, but under age 18, was there a copy of the court order/physician's statement?
	Is citizenship/qualified alien status verified for child?
	Are immunizations up to date for all CDC eligible children?
Qualifying Care	Were the authorized hours correct?
	Was the provider payment rate correct?
	Was there verification that the child is not being cared for by Parent /Substitute Parent that works in the same CDC facility in which the child receives CDC subsidies?
Qualifying Provider Arrangement	Does provider meet all applicable requirements, including health and safety requirements?
Income/Income Standards/Parental Fee Calculation	Was all income considered?
	Was there verification of income in case record?
	Was family contribution correct?

Michigan reviews cases for errors monthly using a small sample statewide. Two full-time and two part-time staff can read up to 100 cases a month. This small number limits the representativeness of the dataset. Statistical significance of trends was determined by conducting a trend analysis utilizing Newey-West standard errors with a lag of two computed using the quadric root of the number of time points. Rates were imputed using a weighted average of the most recent and next month in cases where there was not a monthly report generated. Margins of error for differences in both the annual and individual monthly rate were computed by comparing the number of cases audited to an estimated number of applications and recertifications approved. These estimates were created utilizing data from the administrative data and cross-referenced using record counts from the Greenbook prepared by MDHHS. MiLEAP and MDHHS leaders meet quarterly to review error reports and coordinate on process improvements.

Administrative Document Coding

This study adapted the framework of de Lucio and Mora-Sanguinetti (2022) to assess the three dimensions of complexity (the quantity, readability, and relations of policies) in the administrative documents of Michigan's CDC Scholarship assistance program. For a previous analysis using this methodology, see Frausel and Worthington (2024). This study focused on memoranda and letters issued between 2021 and 2024, during a period of substantial policy fluctuations in Michigan. These documents were selected to explore the complexity of how the policy changes were communicated to core constituents (primarily parents and child care providers).

Each sentence in the letters and memoranda were coded as one of the following:

- **Policy:** Sentences that are identified as a policy are the most crucial. They frame a core program element. These are the focus of the document section and serve the same function as norms (number of specific regulations) in the original framework.
- **Implementation/Explanatory Details:** These sentences rephrase the policy, provide illustrative examples, describe how the policy applies to different subgroups, or describe the finer details related to the enactment of the policy.
- **References:** These sentences are linkages to other documents or information, such as a website address, a person or organization to contact, or citation, as well as references to other sections in the document.

All sentences in the memos and letters were independently coded as a policy, implementation/explanatory detail, or reference by two coders. An independent auditor also trained on the coding scheme reviewed the coding for consistency and accuracy between coders. The two coders agreed on 85% of the sentence codes. Disagreements were reconciled by the auditor, who prepared a document with the final codes and ran algorithms in Stata to convert the qualitative codes into quantitative data for analysis.

The analyses presented in this brief focus on the total number of sentences (policy, implementation/explanatory details, and references) as well as the total number of sentences coded as references. Letters and memoranda were also assessed using the Flesch-Kincaid Grade Level, which is a readability test that estimates the United States grade level needed to understand a text based on both sentence and word length (e.g., number of syllables).

TABLE 4. COMPLEXITY OF CDC PROGRAM LETTERS AND MEMOS, 2021-2024

DOCUMENT DATE	AUDIENCE	POLICY OR CHANGE COVERED	VOLUME (# SENTENCES)	READABILITY (GRADE LEVEL)	REFERENCE (# SENTENCES)
Aug. 8, 2021	Parents	Temporary increase to provider rates	10	10.2	3
Nov. 5, 2021*	Providers	Billing by child enrollment, not attendance	63	9.7	6
Dec. 3, 2021	Parents	Temporary increase to provider rates; temporary suspension of family contribution	10	9.9	3
Dec. 3, 2021	Providers	Temporary increase to provider rates; temporary suspension of family contribution	11	10.3	2
Sept. 26, 2022	Parents and providers	Temporary increase to provider rates; continuation of suspension of family contribution; adjustment of block reimbursements	10	12.5	2
Sept. 13, 2023	Parents and providers	End of temporary provider rate increases; continuation of billing by enrollment; increased income eligibility level; reinstatement of family contribution	21	11.5	3
Sept. 9, 2024	Parents and providers	Program name change; maintain income eligibility level; increase to provider payment rates; continuation of billing by enrollment	15	10.2	5

**Date of corrected document. The original was issued on October 5, 2021.*

Primary Data

Provider Survey

In 2024, the research team received responses from 400 child care providers to a 20-minute survey focused on providers' experiences and perceptions related to serving families who receive assistance from the CDC Scholarship program. The survey was available via SurveyMonkey. At the conclusion of data collection, ten survey completers were randomly selected to receive $100 gift cards.

Of the providers who completed the survey, 64% were center-based providers, 35% were home-based providers, and 1% were license-exempt providers. The counties in which responding providers worked were predominantly in urban areas (74%). More than half of the sample included providers with up to 20 years of experience working in child care (57%). See Table 5 for more detailed demographics of survey respondents.

The provider survey contained 46 statements designed to fall into a particular domain of administrative burden (17 items referred to learning costs, 15 to compliance costs, and 14 to psychological costs). From these items, index variables for learning, compliance costs, and psychological costs were created, ranging from 1 (low burden) to 6 (high burden). The three index variables were compared both across and between subjects.

The data were cleaned to ensure that unique and complete responses were included in analyses. Duplicate respondents were removed from the dataset, and surveys including less than 50% of complete responses were also omitted from the dataset. The research team first examined the frequencies (i.e., counts) of responses to demographic variables, including provider type, county area in which providers work (i.e., rural and urban), and years of child care experience. Next, the team examined frequencies of responses to close-ended measures on Likert scales, assessing perceptions of administrative burden across dimensions and of the CDC Scholarship program's value. After examining counts among the full sample of respondents, the data were analyzed by provider type and county area to determine demographic differences in perceived administrative burden.

TABLE 5. DEMOGRAPHIC CHARACTERISTICS OF PROVIDER SURVEY RESPONDENTS

CHARACTERISTIC		FREQUENCY	PERCENTAGE
Provider Type	Center-based	255	63.8%
	Home-based	142	35.5%
	License-exempt	3	0.7%
Provider County	Urban	296	74%
	Rural	104	26%
Years of Experience	Less than 1 year	1	0.2%
	1-5 years	69	17.3%
	6-10 years	69	17.3%
	11-20 years	86	21.6%
	More than 20 years	174	43.6%

Eligibility Specialists Survey

The research team administered a 15-minute survey through SurveyMonkey aimed at understanding the effects of changes to child care assistance policies for families and children in April 2024, and 562 eligibility specialists completed it. The MDHHS central office sent the survey invitation and reminders to the eligibility specialists.

Of the responding eligibility specialists, 64% reported that they worked in a Universal Caseload (UCL) office. UCL is a model of case management where cases are shared among eligibility specialists rather than being individually assigned. More than half of the respondents included specialists who had up to 750 cases (54%) at the time of completing the survey. Most respondents worked as specialists for the MDHHS for either more than ten years (41%) or for one to five years (37%). See Table 6 for more detailed demographics of survey respondents.

The analytic approach for the eligibility specialist survey was similar to the analyses conducted for the provider survey. The dataset was cleaned prior to analysis to ensure uniqueness and completeness of the submitted responses. Then, the PPA research team conducted counts of responses to demographic variables, including UCL status, typical workload and caseload, and years of experience. The team then examined frequencies of responses to close-ended Likert scale measures to determine the degree of administrative burden eligibility specialists perceive

due to policy changes, their understanding of CDC Scholarship policies, and their respective workloads. Frequencies were examined among the full sample of respondents as well as among subsamples of UCL specialists and non-UCL specialists.

TABLE 6. DEMOGRAPHIC CHARACTERISTICS OF ELIGIBILITY SPECIALIST SURVEY RESPONDENTS

	CHARACTERISTIC	FREQUENCY	PERCENTAGE
UCL Status	UCL office	359	64.0%
	Non-UCL office	201	35.8%
	Unsure	1	0.2%
Frequency of Working with CDC Cases	Daily	98	17.5%
	Weekly	224	39.9%
	Monthly	153	27.3%
	Less than once a month	86	15.3%
Years of Experience with MDHHS	Less than 1 year	36	6.4%
	1-5 years	207	36.9%
	6-10 years	89	15.9%
	More than 20 years	229	40.8%

Provider Panels

Two 90-minute panel sessions designed to collect longitudinal data on providers' experiences and responses to the recent provider payment policy changes were held in 2024. The research team identified a purposive sample of providers for the panel based on license type (family home based, group home based, and center) and regional location. Providers were invited to express interest via an online form emailed by MiLEAP. The research team prepared a list of 24 prospective panel members considering provider time in the CDC Scholarship program, gender, age, race/ethnicity, and characteristics of enrolled children (race/ethnicity, special needs, English-language learners). In collaboration with state partners, PPA confirmed 20 providers via email for the panel.

Panels were conducted via Zoom, with 11 providers (5 centers, 4 group homes, 2 family homes) attending the first session in February 2024, and four (2 centers, 2 group home based) attending the second session in August 2024. Participants received a $50 gift card in appreciation of their insights. Panel transcripts, notes, and Zoom chat responses were analyzed using Dedoose software using an iterative coding approach.

Family Interviews

PPA randomly selected 480 parents from the CDC program dataset, stratified by provider type (family home, group home, center, and license-exempt) for their youngest child in the CDC program. Parents were invited to schedule interviews through Bookings via an email issued from MiLEAP, with two rounds of follow-up outreach from PPA as needed. Non-respondents were replaced with comparable sample members.

Between July and September 2024, 42 parents participated in phone interviews lasting up to an hour, which explored participants' awareness, experience, and perceptions of child care access and CDC program policy changes. In the interviews, the research team asked parents to discuss their experiences pertaining to their youngest child with a CDC Scholarship to streamline the discussion.

Participants received a $50 gift card. Audio recordings were transcribed by a third party. The transcripts were then cleaned and uploaded to Dedoose for coding and analysis.

TABLE 7. DEMOGRAPHIC CHARACTERISTICS OF PARENT INTERVIEWEES

	CHARACTERISTIC	FREQUENCY	PERCENTAGE
Race/Ethnicity	Black/African American	21	50.0%
	White	15	35.7%
	Mixed Race/Biracial	2	4.8%
	American Indian/Native American/Alaskan Native	1	2.4%
	Prefer Not to Answer	3	7.1%
Gender	Woman	38	90.4%
	Man	2	4.7%
	Non-Binary	1	2.4%
	Prefer Not to Answer	1	2.4%
Youngest Child's Provider Type	Center	13	31.0%
	Family Home	10	23.8%
	Group Home	7	16.6%
	License-Exempt	12	28.6%

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