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RELATIONSHIP-BASED CHILD CARE

Continuity of Care and Program Participation Among Licensed-Exempt Providers and the Children They Serve in Michigan's CDC Scholarship Program

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License-exempt child care providers (LEPs) have traditionally been overlooked as a part of the early care and education system. However, in Michigan, LEPs make up close to half (46% in 2024) of the providers participating in the Child Development and Care (CDC) Scholarship Program.

LEPs undergo a vetting process that includes an application, background check, and initial and ongoing health and safety training. Many also complete additional training on child development, educational activities for children, and other topics through the MiRegistry system (41% in 2023) and then qualify for a higher hourly rate from the program.

Without the LEPs, regulated child care would be even harder for low-income families to obtain. Already, Michigan has a shortage of licensed child care slots (MSU, 2026). Data collection and analysis continues for this study of license-exempt care in Michigan, but it appears that pre-existing, trusting relationships are central to these arrangements. By comparing LEPs to licensed family child care providers (FCCs), we see that children with LEPs have longer periods of care without changing providers than children who are cared for in licensed settings. Longer-term relationships with caregivers benefit young children's learning progress and social-emotional skill development (Raikes, 1993; Jozwiak et al., 2016).

Child care providers' ongoing participation in the CDC Scholarship Program also signals ongoing continuity of care and offers benefits for providers in the form of greater familiarity with the program policies and procedures and lowered administrative burden (Graber et al., 2026).



Results

CONTINUITY OF CARE

The research team measured continuity of care as the length of time that the same provider received CDC Scholarship Program payments on behalf of the same child without a break longer than two weeks (one pay period). We traced continuity of care for children who enrolled in the program between 2019 and 2023. One child was randomly selected from each family, focusing on children's initial enrollment with their primary provider. Analyses were limited to the first year (i.e., 26 pay periods) after a child's initial enrollment, and continuity measures reflected any provider payment interruptions during that year.

Continuity of Care:
Length of time a specific provider for a specific child receives payment through the program without a break

Fewer children with LEPs experience a break within one year of enrollment compared to children with other provider types.

It is common for children to experience a break in care with their primary provider. However, as shown in Figure 1, between 2019 and 2023, the share of children experiencing breaks generally declined across all provider types. Additionally, children with LEPs are less likely than children with other types of providers to have a break in care. For children who initially enrolled in the CDC Scholarship Program in 2023, just over half (56%) of children with LEPs experienced a care break, compared to three-fourths (75%) of children receiving care from centers.

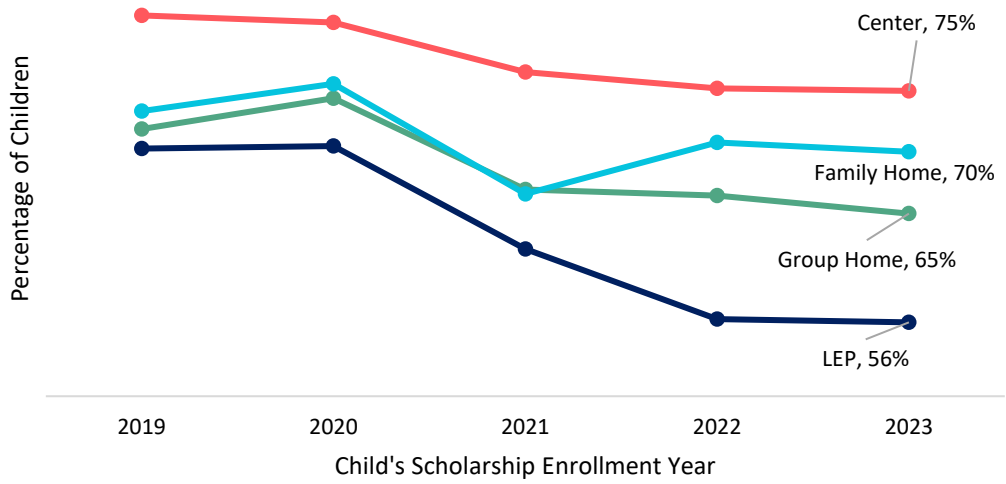


Figure 1. Share of Children With a Break in Care Continuity Within One Year by Provider Type, 2019 – 2023

Children of all ages were less likely to experience breaks when receiving care from a LEP.

Across all age groups, children who enrolled in the CDC Scholarship Program in 2023 were less likely to experience breaks when receiving care from an LEP compared to licensed settings (Figure 2). The advantage

was particularly strong for preschoolers and school-age children. For example, just over half (57%) of preschoolers with LEPs experienced a break, compared to more than three-fourths (77%) of preschoolers in centers. For children in licensed settings, the likelihood of experiencing a break increases as children get older, but the reverse is true for children with LEPs; 50% of school-age children with LEPs saw a break within one year, compared to 59% of infants and toddlers with LEPs.

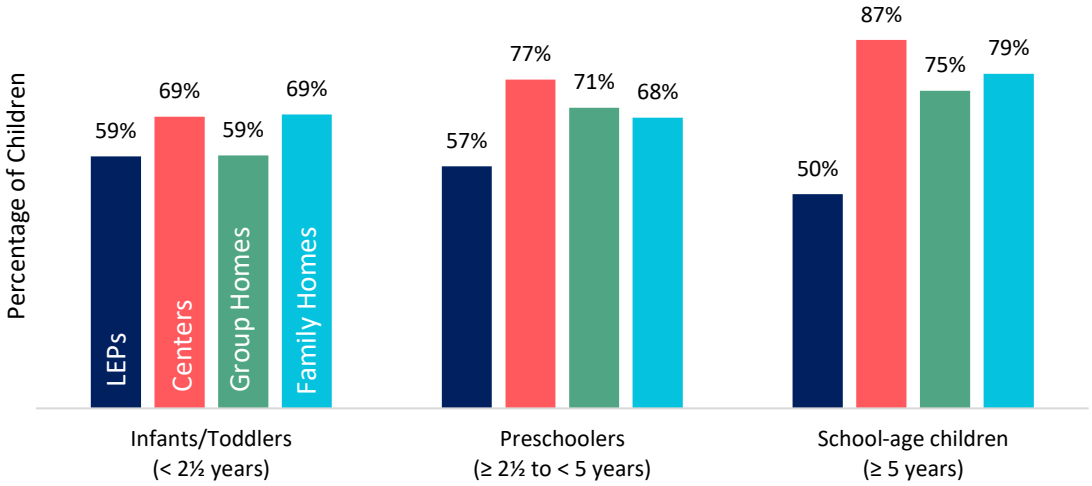


Figure 2. Share of Children With a Break in Continuity Within One Year by Child Age and Provider Type, 2023

Compared to licensed providers, children with LEPs saw longer periods of continuous enrollment before their first break in care.

For children who did experience a break within one year of enrollment, the duration of uninterrupted care varied over time and by provider type. As shown in Figure 2, children's initial spell of continuous enrollment dipped slightly between 2019 and 2020 before it began to increase from 2021 to 2023. Additionally, children with LEPs saw longer periods of continuous care, particularly in 2023 (13 pay periods or 26 weeks), compared to children with licensed providers (around 11 pay periods or 22 weeks).

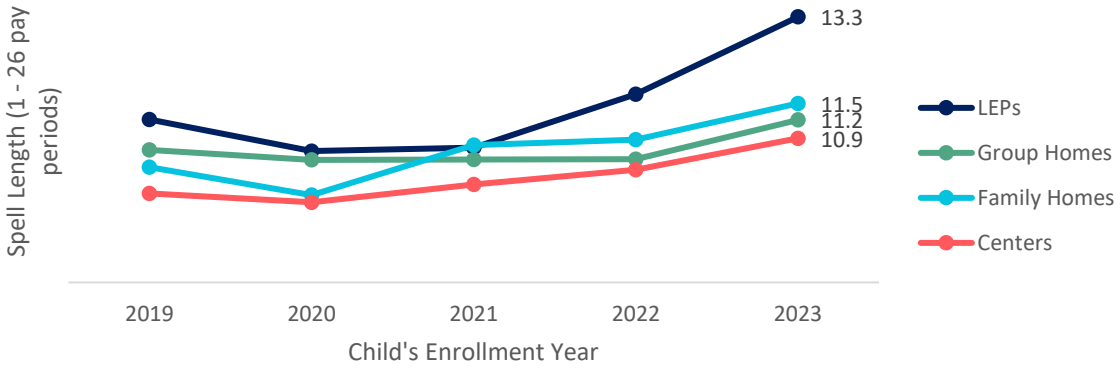


Figure 3. Children's Average Continuity of Care Before Break by Provider Type, 2019 – 2023

All ages of children saw longer periods of continuous enrollment with LEPs compared to licensed providers.

Among those who did experience a break within one year of enrolling with their provider in 2023, children of all ages who received care from an LEP had longer periods of continuous enrollment before their break (see Figure 4). The advantage was small but persistent for infants/toddlers (1.4 to 2.1 pay periods, or 3–4 weeks) and increased for preschoolers (2.1 to 2.5 pay periods, or 4–5 weeks) and school-age children (3.0 to 3.9 pay periods, or 6–8 weeks).

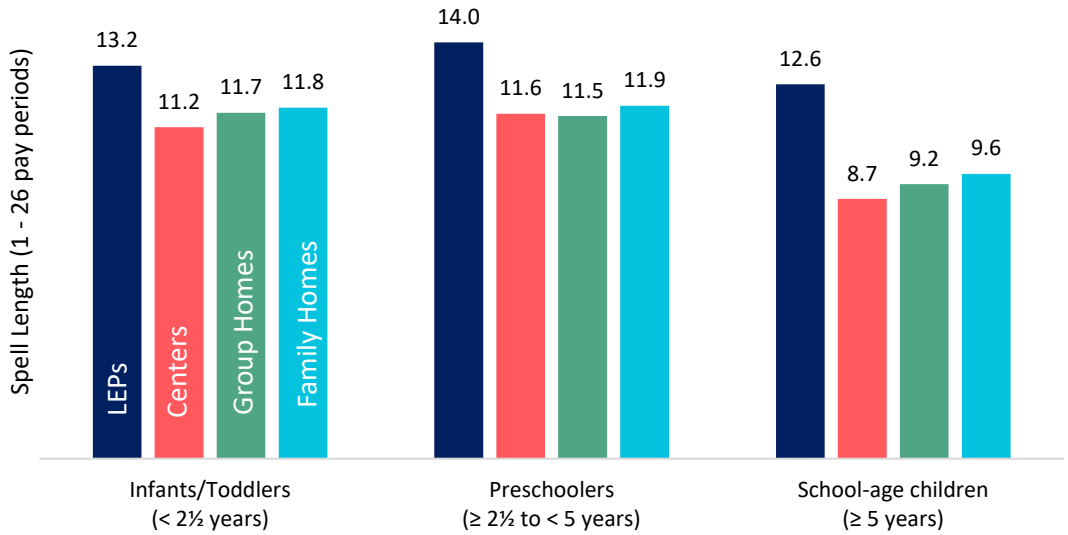


Figure 4. Children's Average Continuity of Care Before Break by Child Age and Provider Type, 2023

PROGRAM PARTICIPATION

The research team also examined the length of participation for providers who first started getting paid through the CDC Scholarship Program between 2014 and 2023. We examined the first 26 pay periods after their enrollment as the provider of record for a child with a scholarship. We measured the number of consecutive pay periods providers received payments for any child for the years 2014-2023. An interruption of two pay periods or longer was classified as a break in program participation. Due to small sample sizes, licensed group homes and family homes were combined into one category: home-based child care providers (HBCCs).

Program Participation:
Length of time a specific provider receives payment through the program for any child without a break

The number of LEPs who join the CDC Scholarship Program exceeds the number of licensed providers each year.

The numbers of new providers ranged widely for the timeframe examined, from a high of 2,125 (in 2014) to a low of 626 (in 2020). Among providers new to the program, the majority were license-exempt providers (see Figure 5); in 2023, 71% were license-exempt providers.

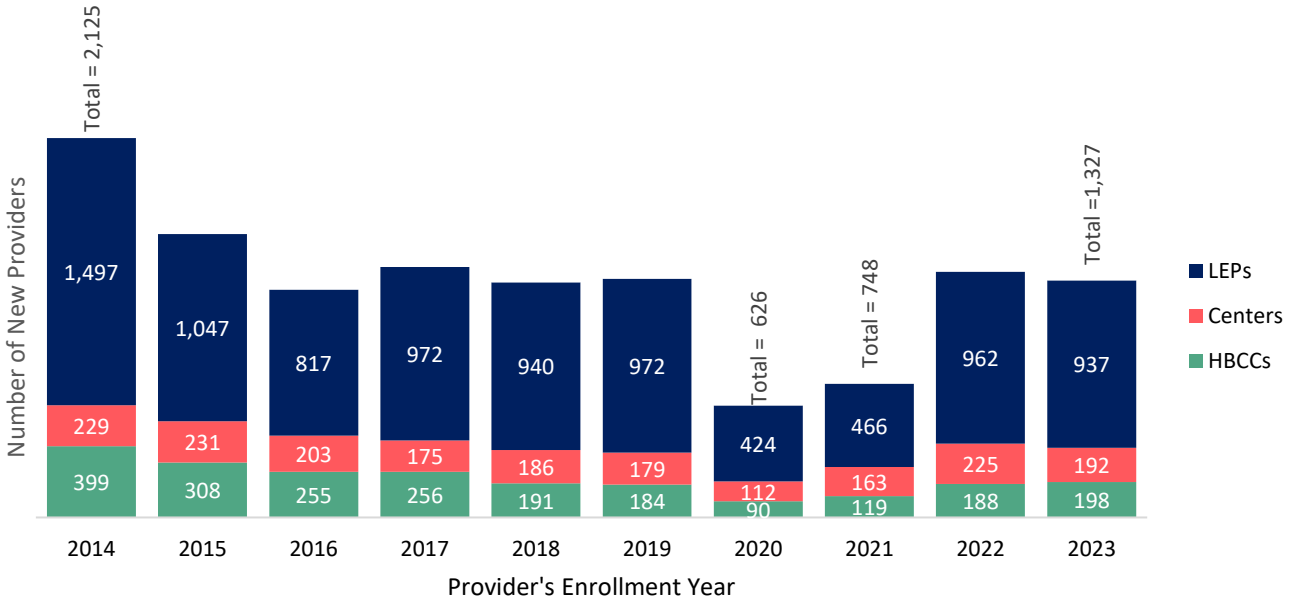


Figure 5. Program Enrollment by Provider Type, 2014 – 2023

Overall, the share of providers who experience a break in participation is declining.

Michigan has seen fewer providers experiencing a break in program participation over time (Figure 6). Sixty-four percent of providers who enrolled in 2019 experienced a break, compared to 50% of providers who enrolled in the program during 2023. Breaks declined the most among HBCCs (dropping 17 percentage points from 2014 to 2023).

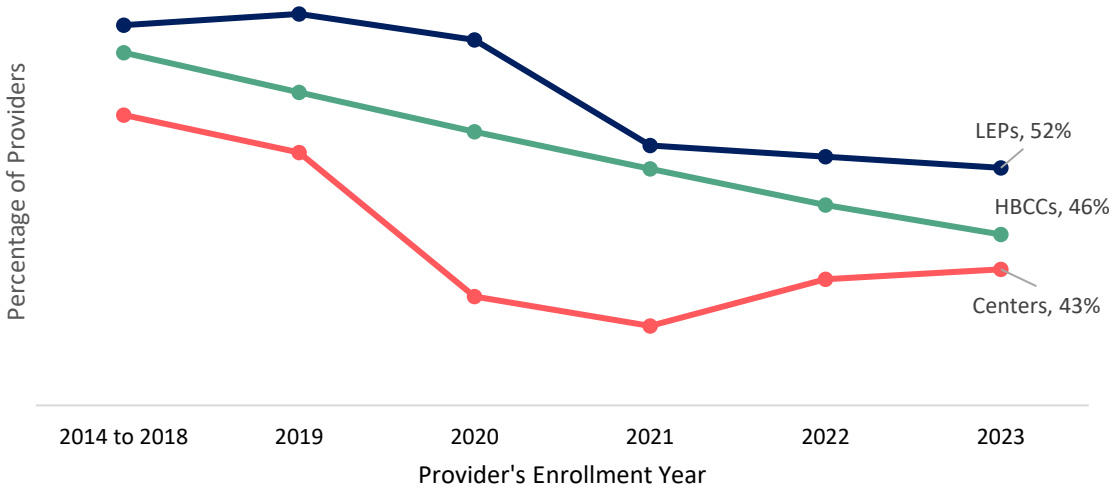


Figure 6. Share of Providers With a Break in Program Participation Within One Year by Provider Type, 2014 – 2023

LEPs are more likely than licensed providers to experience a break within one year of program enrollment.

The share of LEPs with breaks was consistently higher than the share of licensed providers with breaks (Figure 6). For example, in 2023, 52% of LEPs had a break in payment in the first year of participation, whereas 43% of newly participating centers and 46% of newly participating licensed group and family homes experienced a break.

LEPs have longer initial spells of program participation than licensed providers.

The length of continuous program participation increased across provider types overall. Among providers who experienced a break, LEPs had longer periods of continuous program participation before a break (Figure 7), though centers who joined the program in 2023 narrowed the gap. On average, licensed HBCCs had the shortest period of continuous program participation before a break.

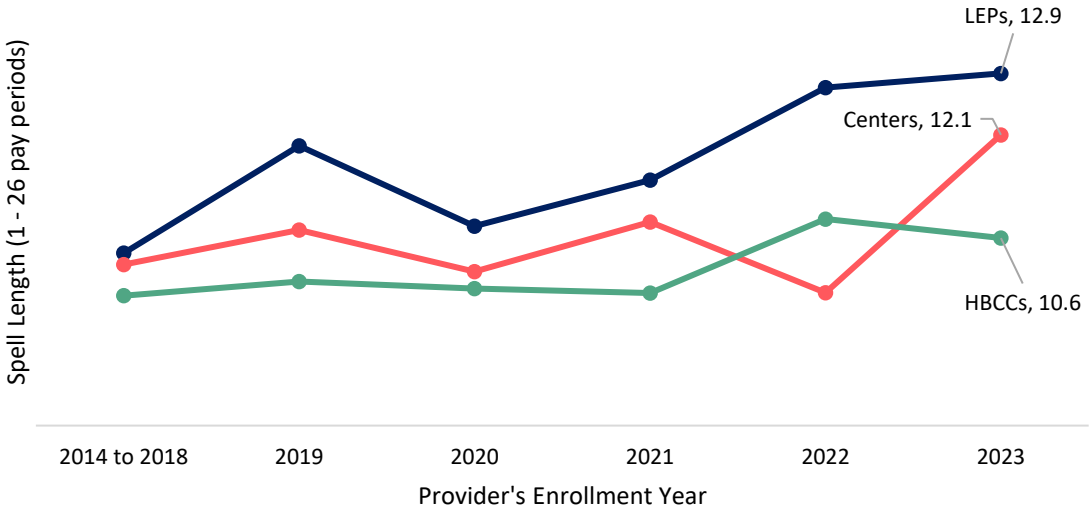


Figure 7. Provider's Average Length of Program Participation Before Break by Provider Type, 2014 – 2023

Discussion

Children with CDC Scholarships commonly experience breaks in care with their primary provider over time, regardless of their age or provider type. The reasons for the care breaks might reflect a range of circumstances both temporary (e.g., family vacation) or permanent (e.g., the family moves out of state). It is also possible that some breaks in care in licensed settings could mean that a family pays out of pocket after they no longer have a scholarship rather than a discontinuation of care. The continuity measure used here is a proxy for the ongoing care relationship and does not speak to why the break occurs. Nevertheless, the fact that so many children experience breaks with their primary provider during a year highlights how variable the child care landscape can be, with children coming and going, and providers working to forecast enrollment and keep their slots filled. For instance, the National Association for Family Child Care (NAFCC) found that "enrollment, which

ranked 18th in 2023, rose to 4th" among providers' top concerns, reflecting a perceived increase in "enrollment volatility and external policy impacts" (NAFCC, 2026).

Those policy concerns include the impact of public PreK programs. Michigan offers public PreK for 4-year-olds through the Great Start Readiness Program and Head Start (as eligible). In 2024, the State launched the PreK for All initiative, which opened the program to all 4-year-olds, with priority given to those families at or below 400% of the federal poverty level. Given the lack of age variation seen in our continuity of care results, it appears that the early years of the initiative did not impact continuity for children with scholarships. However, the research team analyzed only data through December 2023, the same year that the State's PreK for All expansion initiative launched. Additional years of data, at least through 2026 or 2027, are needed before drawing conclusions about its impact on care continuity, regardless of provider type.

While eliminating all breaks in continuity of care is not feasible or even desirable, improving continuity of care could benefit all involved. Increased continuity in the care relationship supports child-provider bond formation, child development, and stress reduction for families (State Capacity Building Center, 2017; Harknett et al., 2022).

School-aged children in particular appear to be more prone to changes during a year given the school calendar. LEPs care for more school-aged children than other providers (Frausel et al., 2025a), so the provider-child (or provider-family) relationship may be a stabilizing factor in care continuity.

Despite a higher continuity of care rate for children, LEPs are more likely to have breaks in program participation than other providers. It may be that LEPs overall encounter more hurdles in maintaining their participation (e.g., successful billing, keeping up with training requirements) or other factors at work. With ongoing participation, providers seem to experience lower administrative burden, as they become familiar with the program's policies and processes (Frausel et al., 2025b). Alternatively, LEP relationships with children and families may be more stable and intensive but result in shorter-term care arrangements. If LEPs are caring for children they know, then they have no need to participate in the program once those children age out or no longer have a scholarship, in contrast to licensed providers who are looking to care for other children with scholarships.

Further research is needed to explore *why* these breaks occur through primary data collection, such as the interviews and surveys of providers and families conducted in this study. Those data could clarify if the causes differ by provider type, child age, or another factor. It would also be worthwhile to examine whether state policies about billing around absences have affected continuity of care or provider participation spell length. In addition, examining the CDC Scholarship records for *when* breaks occur during the first 12 months of program participation could add more clarity. There may be seasonal patterns in the child care or program participation breaks.

Conclusion

When thinking about child care, many think first about centers or licensed family homes. A third option not often recognized is license-exempt child care, which is regulated in Michigan for the CDC Scholarship Program. LEPs are providing a substantial portion of the care for children with scholarships in Michigan and are delivering non-traditional hour care at higher rates than licensed home and group home providers (forthcoming report from PPA, 2026). That children who are cared for by LEPs have longer periods of care continuity further demonstrates the value that LEPs are delivering in Michigan's early childhood system. However, this brief could not address the reasons for breaks in continuity of care or providers' program participation and their timing. That remains for study in the future.

For now, states, territories, and Tribal nations might consider how they might welcome LEPs as a resource addressing at least some of the child care gaps in their jurisdictions. In addition, with further research, states could leverage learning from license-exempt arrangements to foster longer-term relationships between all providers and families as well as among providers and Child Care and Development Fund (CCDF) programs, in alignment with continuous quality improvement goals. Below, we offer suggestions for Michigan's program.

RECOMMENDATIONS

- Maintain participation access for LEPs in the CDC Scholarship Program by continuing to offer potential and current LEPs relevant trainings and answers to their questions.
- Look to understand reasons for breaks in continuity of care, such as the proportion of breaks affected by the school year or change in parental need for care.
- Apply new understandings about how the provider-family relationship contributes to care quality in the Quality Recognition and Improvement System (QRIS), trainings available to providers through MiRegistry, and informational materials and coaching from the Great Start to Quality Resource Centers.
- Build awareness among families of how breaks in child care continuity affect children. Online and print resources distributed through regional partners may help to reduce preventable breaks.
- Reward providers who serve children through the program long-term by giving a bonus at key milestones (e.g., at five-year intervals).

Methodology

The research team used Child Development and Care (CDC) Scholarship Program payment records from between 2014 and 2024 to examine trends in children's continuity of care and providers' program participation. The analysts ran descriptive and survival analyses using Cox regression. The results for license-exempt providers (LEPs)—the focus of this study—were compared to licensed providers. All models included dummy variables for year and provider type (with LEPs as the baseline). The child models also included main effects and interactions for child age category (infant/toddler [<30 months old], preschooler [older than 30 months but less than 5 years old], and school-age [aged 5 years or older], with school-age children serving as the reference category). The child age categories align with those used by the CDC Scholarship Program.

CHILD-LEVEL ANALYSIS: CONTINUITY OF CARE

To determine continuity of care, the research team measured the length of time a provider continuously bills the program for the same child's care without a break. A break in care equates to two or more consecutive pay periods. Michigan's program has 26 pay periods per year.

The analysts randomly selected a focal child from each family so that large families were not overrepresented in the data. The research team examined records from 38,319 focal children who enrolled between 2019 and 2023. Most children were cared for at centers (67%), with smaller shares with group homes (13%), family homes (8%), and LEPs (11%). Since some children may have multiple providers (rare in this program), one provider was selected as the primary provider for each child, based on the longer duration of care and/or the greater number of hours of care provided. The period examined for continuity was one year (i.e., 26 pay periods) following initial program enrollment of the child. Focal children were grouped into annual cohorts, based on their program enrollment year.

The Cox regressions for continuity of care found that, controlling for enrollment year, school-age children with LEPs were less likely to experience a break than school-age children at centers (Hazard Ratio [HR] = 2.39, $p < 0.001$), group homes (HR = 1.51, $p < 0.001$), and family homes (HR = 1.65, $p < 0.001$). The main effects for child age were non-significant (both *ps* > 0.38), suggesting infants/toddlers and preschoolers with LEPs have the same risk for care interruptions as school-age children with LEPs. All provider type x child age category interactions were significant (all *ps* < .006), suggesting that licensed settings are more stable for younger children than for older children. The analysts also conducted three stratified Cox regressions models for each child age group separately, which supported these interpretations: children in licensed settings are more likely to experience care disruptions than children in license-exempt settings for age groups, but the disruption gap is widest for school-age children and narrowest for infants/toddlers.

PROVIDER-LEVEL ANALYSIS: PROGRAM PARTICIPATION

Provider program participation is defined as the length of time a provider had continuous billing in the data set, for the first year (i.e., 26 pay periods) they were active in the program. There were 13,124 providers

included in this dataset. The initial "spell" of program participation was broken when the provider did not receive any CDC Scholarship Payments for two or more consecutive pay periods. Providers were organized into cohorts based on enrollment year. Given the size of the cohorts, the analysts expanded the timeframe to 2014- 2023. For graphical presentations, the metrics from years 2014-2018 were aggregated into a single category to reduce visual complexity. For statistical analyses, annual observations were retained as separate data points to ensure all available information contributed to parameter estimation and hypothesis testing.

The Cox regressions for provider program participation found that controlling for enrollment year, LEPs are more likely to experience a break in program participation than centers (HR = 0.62, $p < 0.001$), group home providers (HR = 0.59, $p < 0.001$), and family home providers (HR = 0.86, $p < 0.001$).

TABLE 1. CDC SCHOLARSHIP PROGRAM FOCAL CHILD ENROLLMENTS, BREAKS, AND SPELL LENGTH BY PROVIDER TYPE AND YEAR

	YEAR	# ENROLLEES	# WITH A BREAK WITHIN ONE YEAR	% WITH A BREAK WITHIN ONE YEAR	MEAN SPELL LENGTH BEFORE BREAK (# OF PAY PERIODS)
Focal Children with License-Exempt Providers	2019	1,028	722	70%	11.2
	2020	504	355	70%	10.6
	2021	466	289	62%	10.7
	2022	1,087	612	56%	11.7
	2023	1,110	622	56%	13.3
	Total	**4,195**	**2,600**	**62%**	**11.7**
Focal Children in Centers	2019	5,621	4,559	81%	9.8
	2020	3,088	2,487	81%	9.6
	2021	4,243	3,245	76%	9.9
	2022	6,140	4,614	75%	10.2
	2023	6,769	5,073	75%	10.9
	Total	**25,861**	**19,978**	**77%**	**10.2**
Focal Children in Group Homes	2019	1,061	762	72%	10.6
	2020	647	481	74%	10.4
	2021	794	531	67%	10.4
	2022	1,279	849	66%	10.4
	2023	1,277	829	65%	11.2
	Total	**5,058**	**3,452**	**68%**	**10.7**
Focal Children in Family Homes	2019	704	516	73%	10.3
	2020	384	290	76%	9.7
	2021	472	314	67%	10.7
	2022	786	556	71%	10.8
	2023	859	601	70%	11.5
	Total	**3,205**	**2,277**	**71%**	**10.7**
All Focal Children	2019	8,414	6,559	78%	10.1
	2020	4,623	3,613	78%	9.8
	2021	5,975	4,379	73%	10.1
	2022	9,292	6,631	71%	10.4
	2023	10,015	7,125	71%	11.2
	Total	**38,319**	**28,307**	**74%**	**10.4**

TABLE 2. CDC SCHOLARSHIP PROGRAM FOCAL CHILD ENROLLMENTS, BREAKS, AND SPELL LENGTH IN 2023 BY PROVIDER TYPE AND CHILD AGE

	CHILD AGE	# ENROLLEES	# WITH A BREAK WITHIN ONE YEAR	% WITH A BREAK WITHIN ONE YEAR	MEAN SPELL LENGTH BEFORE BREAK (# OF PAY PERIODS)
Focal Children with License-Exempt Providers	Infants/Toddlers	525	311	59%	13.2
	Preschoolers	255	145	57%	14.0
	School-age	330	166	50%	12.6
	Total	**1,110**	**622**	**56%**	**13.3**
Focal Children in Centers	Infants/Toddlers	3,052	2,092	69%	11.2
	Preschoolers	2,534	1,957	77%	11.6
	School-age	1,183	1,024	87%	8.7
	Total	**6,769**	**5,073**	**75%**	**10.9**
Focal Children in Group Homes	Infants/Toddlers	717	426	59%	11.7
	Preschoolers	375	265	71%	11.5
	School-age	185	138	75%	9.2
	Total	**1,277**	**829**	**65%**	**11.2**
Focal Children in Family Homes	Infants/Toddlers	475	328	69%	11.8
	Preschoolers	281	192	68%	11.9
	School-age	103	81	79%	9.6
	Total	**859**	**601**	**70%**	**11.5**
All Focal Children	Infants/Toddlers	4,769	3,157	66%	11.5
	Preschoolers	3,445	2,559	74%	11.8
	School-age	1,801	1,409	78%	9.3
	Total	**10,015**	**7,125**	**71%**	**11.2**

TABLE 3. CDC SCHOLARSHIP PROGRAM PROVIDER PROGRAM PARTICIPATION, BREAKS, AND SPELL LENGTH BY PROVIDER TYPE AND YEAR

	YEAR	# ENROLLEES	# WITH A BREAK WITHIN ONE YEAR	% WITH A BREAK WITHIN ONE YEAR	MEAN SPELL LENGTH BEFORE BREAK (# OF PAY PERIODS)
License-Exempt Providers	2014 – 2018	5,273	3,455	**66%**	**10.4**
	2019	972	647	67%	11.9
	2020	424	272	64%	10.8
	2021	466	253	54%	11.4
	2022	962	512	53%	12.7
	2023	937	489	52%	12.9
	Total	**9,034**	**5,628**	**62%**	**11.1**

	YEAR	# ENROLLEES	# WITH A BREAK WITHIN ONE YEAR	% WITH A BREAK WITHIN ONE YEAR	MEAN SPELL LENGTH BEFORE BREAK (# OF PAY PERIODS)
Centers	2014 – 2018	1,024	585	57%	10.3
	2019	179	96	54%	10.7
	2020	112	45	40%	10.2
	2021	163	61	37%	10.9
	2022	225	94	42%	9.9
	2023	192	82	43%	12.1
	Total	**1,895**	**963**	**51%**	**10.5**
Home-Based Child Care (Family Homes and Group Homes)	2014 – 2018	1,409	887	63%	9.8
	2019	184	109	59%	10.0
	2020	90	50	56%	9.9
	2021	119	62	52%	9.9
	2022	195	95	51%	10.9
	2023	198	91	46%	10.6
	Total	**2,195**	**1,294**	**59%**	**10.0**
All Providers	2014 – 2018	7,706	4,297	64%	10.3
	2019	1,335	852	64%	11.5
	2020	626	367	59%	10.6
	2021	748	376	50%	11.1
	2022	1,382	701	51%	12.1
	2023	1,327	662	50%	12.5
	Total	**13,124**	**7,885**	**60%**	**10.8**

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