

## **The Payment of Differential Reimbursement Rates as a Strategy to Improve Child Care Quality**

A growing body of research evidence underscores the importance of high quality child care in achieving the national goal of having all children ready for school. However, the quality in child care centers around the country is often mediocre to poor. States are searching for additional strategies and policies, along with licensing, that will support the provision of high-quality child care services.

One of these strategies is the payment of differential reimbursement rates as an incentive for programs to improve and maintain quality. As of July 2000, 18 states had accreditation-linked differential reimbursement policies. Only two of these states, Oklahoma and South Carolina, and Washington, D.C. had a structure that included more than licensing and accreditation in their tiers. North Carolina has a five-tiered rated licensing system.

Is a differential rate structure an effective tool in raising quality?

It may be too soon to answer this question, but we do have some guidelines.

1. In Oklahoma, it has increased the number of providers in training and the wages paid to them.
2. Anecdotal evidence indicates that this may be an effective strategy at improving program quality and child outcomes.
3. Statistical trends, while not yet significant, are in the right direction.

Considerations:

1. Differential reimbursement affects only those child care facilities receiving state subsidies for serving low-income or at-risk children.
2. Requires an extensive infrastructure, making it expensive and time consuming to implement.
3. Works best when strong licensing standards are already in place.
4. There may be simpler ways to provide incentives for quality improvement.

Needed Infrastructure:

1. Support for all interested programs to achieve and maintain higher levels of quality.
2. A strong system of professional development and training opportunities.
3. Money to pay differential rates and to increase wages and benefits.
4. Strategies to increase community demand for quality child care programs.
5. Strategies to encourage provider participation.
6. Trained monitors/assessors.
7. Buy in from providers, parents, politicians, businesses, and the community.
8. A formative and summative evaluation plan.

Development of the Differential Rate System and Structure:

1. Inventory what already exists in the community. This includes demographics, such as the number of CDAs, and the infrastructure already in place.
2. Use the inventory and the existing licensing standards as the foundation, and build from that point to develop the entire infrastructure.
3. Choose criteria based on research of the qualities most indicative of high quality programs. Consider both the structural features that set the stage for quality and measures of the dynamics of the caregiver-child relationship.
4. Only select accreditation systems that have the structural features associated with quality, and standards that offer the likelihood of substantial quality improvement.
5. If using a measure of caregiver-child dynamics, such as the Environmental Rating Scales, decide whether it will be used to design training plans or determine levels of reimbursement. Both add an additional dimension that while important will need more resources to implement.

6. Achieve a balance between criteria that advance quality care and those that keep providers from participating in the program. Provide easily obtainable steps.
7. Choose rate differentials that are attractive to providers, not less than 15%.
8. Decide whether to permit subsidized rates to exceed private pay rates.
9. Think the process through from beginning to end. Develop policies, procedures, and forms.
10. Establish standards of periodic review and revision to insure that rules reflect current issues and the latest knowledge.
11. Consider using a measure of staff turnover to help determine when reassessment is needed.

For Information on Accreditation:

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Howes, C., & Clifford, R., (1997). Measuring quality in child care. *Early Developments*, 1, 8-11.

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For Information on Tiered Reimbursement Systems in Other States

Azer, S. (1999). *Overview of states with differential reimbursement*. Wheelock College. The Center for Career Development in Early Care and Education. <http://ericps.uiuc.edu/ccdece/ccdece.html>.

*Going for the gold tiered reimbursement system: Quality criteria for child development centers and child development homes* (May, 2000). Washington, D.C.: District of Columbia Department of Human Services.

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