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# 2016 Montana Child Care Market Rate Survey

## Executive Summary

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January 1, 2017



Funding from Department of Health and Human Services, Early Childhood Services Bureau, contract number 1602PROS0301.

*Montana State University Extension is an ADA/EO/AA/Veteran's Preference Employer and Provider of Educational Outreach.*

# Executive Summary

## Market Rates (Pricing)

This study, which used three methods to collect child care rates, provides valuable child care pricing information for policy makers. The most statistically reliable and valid method (method 1) depends on providers reporting their advertised rates in daily or hourly units for only two types of young people, those less than 2 years of age (hereafter, called infants) and those 2 years of age or older (hereafter, called children). This method avoids the challenges of converting rates reported in other units (such as monthly, bi-monthly, or weekly) into daily and hourly rates. In addition, this method produced an adequate sample for each child care region to determine if there are statistically significant differences among daily and hourly rates across the seven child care regions. While there are significant differences among the regions (regions 1 and 4 have somewhat higher rates than other regions), these differences are relatively minor; hence, this study suggests using statewide rates to set Best Beginning Scholarship reimbursements. As per the contract with the Early Childhood Service Bureau in the Montana Department of Health and Human Services (DPHHS), the most important statistic for this study is the full-time rate for children receiving no discounts or other scholarships at the 75<sup>th</sup> percentile for each of the age groups. Table 1 reports the statewide daily and hourly rates for method 1 using 75<sup>th</sup> percentile rates.

Table A: Statewide Daily and Hourly 75<sup>th</sup> Percentile Rates by Method 1

Facility/Age	Daily	Hourly
<i>Family Child Care Facilities</i>		
Infant (less than 2)	30.00	5.50
Child (2 and older)	28.00	5.25
<i>Group Child Care Facilities</i>		
Infant (less than 2)	33.00	6.00
Child (2 and older)	30.00	5.50
<i>Centers</i>		
Infant (less than 2)	40.00	7.50
Child (2 and older)	35.00	6.00

The other methods (methods 2 and 3) collected information for more ages of the children; however, the respondent (provider) was able to report the rates in monthly, bi-monthly, weekly, daily or hourly units. Given that a majority of the rates reported were in monthly and weekly units, conversion factors were used to report rates in daily and hourly units. Using “rule of thumb” conversion factors to adjust these rates introduced more, rather than less, error into these estimates. Hence, the use of conversion strategies is not recommended for determining Best Beginning Scholarship reimbursements.

Although, when the unconverted rates were used, the study was able to assess the reliability of the statewide rate estimates across the three methods. Unfortunately, the number of observations available using methods 2 and 3 were substantially smaller because of the flexibility afforded to respondents in reporting frequencies (or how often the payments were made). The three methods generate very similar means, 25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup> percentile daily rates; hence, these rates are reliable across the three methods. The samples of hourly rates by methods 2 and 3 were too small to assess reliability.

If statewide 75<sup>th</sup> percentile daily rates are used to set Best Beginnings Child Care Scholarship reimbursements, most regions would realize increases in the daily and hourly rates. Region 4.1 (Gallatin, Meagher, and Park) will face somewhat lower daily rates for the following: family child care facilities for infants (\$30.00 vs. \$31.84) and children (\$28.00 vs. \$29.71), and, group child care facilities for both infants (\$33.00 vs. \$33.96) and children (\$30.00 vs. \$31.84). In addition, Region 4.1 will face somewhat lower hourly rates for the following: group child care facilities for infants (\$5.50 vs. \$6.37), family child care facilities for children (\$5.25 vs. \$5.31), group child care facilities for children (\$6.00 vs. \$6.37), and centers for children (\$6.00 vs. \$6.16).

Other regions face relatively minor reductions in some daily or hourly rates. Region 2 (Mineral, Missoula, and Ravalli) will face lower daily rates for children in centers (\$35.00 vs. \$37.04). Region 3 (Beaverhead, Deer Lodge, Granite, Madison, Powell, and Silver Bow) will face lower hourly rates for children in family child care facilities (\$5.25 vs. \$5.31). Region 5.1 (Cascade, Chouteau, Glacier, Pondera, Teton, and Toole) will face lower hourly rates for infants in centers (\$7.50 vs. \$7.85). Region 7.2 (Big Horn, Carbon, Stillwater, Sweet Grass, Treasure, and Yellowstone) will face lower hourly rates for infants in group child care facilities (\$6.00 vs. \$6.16) and children (\$5.25 vs. \$5.31) in family child care facilities.

All other regions will have increases in the infant and children daily and hourly rates. Of course, if other pricing strategies are used, such as using means, medians or other percentile groups, then the regions facing higher and lower rates must be reassessed.

Other statistical analyses were performed to assess differences in rural and urban communities, high and low income counties, and quality of care (measured by participation in STARS to Quality). The urban communities were Billings, Bozeman, Helena, Kalispell, Missoula, Great Falls, and Butte. The high income counties were Rosebud, Garfield, Fallon, Yellowstone, Sweet Grass, Gallatin, Lewis and Clark, Stillwater, Richland, and Jefferson. Using regression analyses, urban communities had significantly higher infant and child hourly rates for family and group child care facilities and centers, and significantly higher infant daily rates for group child care facilities and centers. High income communities had significantly higher infant and child daily and hourly rates for family and group child care facilities and centers. These differences in market rates across urban and rural counties, and high and low income communities warrant further review. In addition, quality of care (STARS to Quality) was examined as a determinant of market rates; however, it was found to be statistically insignificant.

## Comparisons with Other States

Practices implemented by other states in setting Best Beginning Scholarship rates are important benchmarks for Montana policymakers. Information was collected from Idaho, North Dakota, South Dakota, Wyoming, Utah, New Hampshire, Pennsylvania, and Florida (Table B).

Table B: Reimbursement Strategy by State

State	Pay Units	Age	Area	Care Type	Quality	Schedule
Montana	Hourly	2 age groups	7 Regions	4 program types	No	<u>Monthly</u> After care
	Daily					
North Dakota	Full-time	4 age groups	Statewide rates	4 program types	No	<u>Monthly</u> After care
	Part-time					
	Hourly					
South Dakota	Hourly	3 age groups	County-based	4 program types	No	<u>Bi-monthly</u> After care
Wyoming	Full-day	5 age groups	Statewide rates	3 program types	No	<u>Monthly</u> After care
	Part-day					
	Hourly					
Idaho	Part-time monthly	5 age groups	3 Clusters	2 program types	No	<u>Monthly</u>
	Full-time monthly					After care
Utah	4 Tiers - monthly hours	6 age groups	Statewide rates	5 program types	No	<u>Monthly</u> Prior to care
New Hampshire	Full-time weekly	4 age groups	Statewide rates	4 program types	No	<u>Weekly</u> After care
	Half-time weekly					
	Part-time weekly					
Florida	Daily	7 age groups	County-based	4 program types	Yes	<u>Monthly</u> After care
Pennsylvania	Full-day	6 age groups	County-based	4 program types	Yes	<u>Monthly</u> After care
	Part-day					

Of these eight states, one pays using only hourly rates, three pay using daily rates, two pay using weekly rates, and two pay using monthly rates. Part- and full-time rate definitions vary among states. Five hours was the common definition for full-time daily and twenty five hours was a common definition for full-time weekly. Idaho pays a monthly rate regardless of hours attended, while Utah has 4 tiers of monthly rates with category cutoffs being 65, 98, and

137 hours per month. One state has three age categories, two of the states have four, two have five, two have six, and one has seven. Half (4) of the responding states use statewide rates, three use county-based rates and one (Idaho) uses 3 categories based on population. Only two of the eight states offer additional reimbursements for quality rating levels; programs in New Hampshire receive a separate, additional reimbursement with the amount being determined by the number of claims paid each month and the quality rating level. Six of the states pay on a monthly schedule, New Hampshire uses weekly invoicing to pay providers more frequently, and South Dakota allows providers to bill bi-monthly or monthly. Utah is the only one of the eight states that pays for child care prior to service; the other seven pay after care has been provided.

## Methods

The child care study utilized a revised version of home- and center-based questionnaires developed by the Child and Family Research Institute at the University of Texas to describe market rates charged by child care providers in Montana. The data collection was handled by the Human Ecology Learning and Problem Solving (HELPS) Lab, located in the Department of Political Science at Montana State University. Over 80% of center-based (202 centers) and 60% of home-based providers (430 family and group child care facilities) completed the questionnaires for an overall response rate of 65%.

Table 3 reports the number of respondents by region. A map of the child care resource and referral regions is in Appendix L. The largest number of family and group home respondents were from Region 7 - South East (120), while the largest number of center respondents were from Region 4 – South Central (55).

Table C: Number of Respondents by Region

Region	Child care facilities		Centers	
	Responses	Percentage	Responses	Percentage
North West Region 1	42	9.8	16	7.9
West Region 2	72	16.7	43	21.3
South West Region 3	36	8.4	11	5.4
South Central Region 4	88	20.5	55	27.2
North Central Region 5	35	8.1	36	17.8
North East Region 6	37	8.6	10	5.0
South East Region 7	120	27.9	31	15.3
<b>Total</b>	<b>430</b>	<b>100.0</b>	<b>202</b>	<b>100.0</b>

The study employed three methods to describe market rates charged by child care providers: (1) method 1 (hereafter called “simple provider”), a method used previously by DPHHS collects standard daily and hourly rate information at the provider level; (2) method 2 (hereafter called “complex provider”), a new method collecting full- and part-time information for six age groups at the provider level; and, (3) method 3 (hereafter called “complex child”), a new method of collecting market rate information at the child level.

Method 1 (“simple provider”) was the most statistically defensible method of collecting data on child care market rates. This method asked child care providers to report their advertised daily and hourly rates for infants (less than 2 years old) and children (2 years of age and older). Over 88% of family and group home providers and 57% of center providers reported market rates for method 1. While market rates vary substantially among the counties, market rates vary less among the regions.

Methods 2 and 3 provided substantially more detail about market rates than method 1; however, market rates were typically reported as either monthly or weekly rates. Therefore, a conversion strategy was needed to report these market rates in daily or hourly units. This analysis suggests that attempts to convert all units into daily or hourly units using current “rules of thumb” produces significantly lower hourly estimates and substantially lower (but, not statistically lower) daily estimates. Child care market rates are set to reserve a “spot” for the child in the home or center; rather than reserving “one day” or “one hour” for child care. For instance, a child care provider might report a price of \$800 per month for a child who attends 10 hours per day for the 21 working days of the month and another provider might report the same price for a child who attends 6 hours per day for 18 days of the month. Any attempt to utilize “rule of thumb” conversion factors, such as 1 month = 168 hours, to adjust these rates introduces more, rather than less, error into these estimates. Hence, the use of conversion strategies is not recommended for determining Best Beginning Scholarship reimbursements.

## **Analysis**

The most important statistic for this study is the rate at the 75<sup>th</sup> percentile for each of the age groups. Two age groups, infants (less than 2 years old) and child (2 years old and older) are reported in the body of the report, while four age groups are reported in the appendices for methods 2 and 3. While the study reports the rate at the 75<sup>th</sup> percentile, it was important to report some measure of the variance. In this instance, confidence intervals are reported for the mean, 25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup> percentiles. Given that child care rates are not normally distributed, a distribution-free 95% confidence interval is reported. These confidence intervals will have different margins of error on the lower bound than the upper bound.

Any statistic reported where there are less than 10 observations is reported in italics; and statewide statistics used where no data were reported are denoted with an asterisk. A Statistical Analysis System (SAS) statistical routine was employed to generate the percentiles and confidence intervals. Using this statistical routine, means are weighted while percentile estimates and confidence intervals are unweighted in provider level analyses.

Several other tables are included in the final report. These tables examine additional costs (expenses) and benefits (subsidies and discounts); waiting lists; provider schedules; number of children in care, licensed capacity, and drop-in care; definitions of full-time care; and, other characteristics of home and center-based providers. For more information, please see the 2016 Montana Child Care Market Rate Survey: Final Report.