



Montana's New Cost of Care Calculator

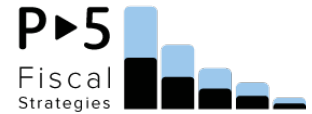
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P-5
Fiscal
Strategies

Prenatal to Five Fiscal Strategies



- Initiative focused on addressing the broken fiscal and governance structures that exist within the P5 system
- Founded in a set of shared principles that center the needs of children, families, providers, and the workforce and fundamentally re-thinks the current system in order to better tackle issues of equity of funding and access.
- Provides national leadership and direct support to states and communities

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Agenda

- 1 What is a cost model?**
- 2 Montana's calculator functioning**
- 3 Calculator demonstration**
- 4 Feedback**

01

What is a cost model?

The broken child care market

Private pay

- Families are price-sensitive consumers
- Higher quality ECE costs more than most families can afford, which lowers demand for quality
- ECE market encourages price competition – low tuition fees – which discourages supplier investment in quality.

Subsidy

- Setting subsidy rates via market rate survey embeds the market failures in the system
 - Providers in low-income areas must set rates low, but then receive low subsidy rate
- Very few states sets rates at the recommended percentile of the current market rate, decreasing the value of the voucher even further.

Child care is a broken market that disincentivizes quality



Cost estimation modeling

- Estimates the cost incurred to provide care and the resources needed for a provider to remain financially solvent.
- Examines the impact of program size, ages of children served, geographic region, enrollment, bad debt, etc.
- Demonstrates the impact of funding from multiple sources.
- Identifies the gap between the costs and the revenue sources.
- Helps policymakers and other interested parties understand the costs associated with delivering care in different settings, to different age groups at different levels of quality.



The difference between price, cost, and true cost

Price

Reflects what the market can bear, what families can actually pay

Cost

Reflects the actual expenses a program incurs in order to operate

True cost

Reflects the estimated cost to operating a program at high-quality with increased workforce compensation

How does a cost model function?

User makes selections from a host of inputs, related to program operations that impact expense and revenue

How many children are enrolled in the program?

ENROLLMENT	
# of Children	Age
1	Infants
2	Toddlers
2	Preschoolers
2	School age
7	Total Children

Does the program offer any discretionary benefits?

BENEFITS		
Health Insurance	Yes	
Sick Days	Yes	10
Paid Leave	No	10

Does the program engage in any of the following activities?

Enhancements: Additional Cost Drivers	
	Select level
Family Engagement	Meets Licensing Standards
Professional Development Supports	Meets Licensing Standards (10 hours)
Planning Release Time	Meets Licensing Standards (0)
Educational Materials & Curriculum	Meets Licensing Standards (0)
Inclusion Materials	8 hrs/week/classroom
Inclusion Supports Instructional Aide	16 hrs/week/classroom
	24 hrs/week/classroom

How does a cost model function?

Will I get the same answer or a single answer from the cost model?

- You will only get the same answer from the cost model if you make the exact same selections as you did previously, or as someone else using the model did to get their cost per child answer
- No, there is not a single answer generated by an ECE cost model. Cost answers vary by:
 - Program type (center, FCC, FFN)
 - Program size
 - Ages of children served
 - Program regulations (licensed only, STARS, EHS/HS)
 - Equity and quality enhancements

02

Functioning of Montana's cost of care calculator

Montana process

- **Formed a work group to guide development of model**
 - Included representatives of center and home-based child care programs, from different parts of the state, and at different Star levels
- **Reviewed Montana child care licensing standards and STARS requirement**
 - Identified key cost drivers
- **Reviewed existing datasets to identify data to inform the model**
 - ARPA survey responses
 - State licensing data
 - Existing calculator
- **Developed calculator, shared with workgroup for feedback**

Model Functioning

- Serving children birth to school age, full day, full year
- Includes all mandatory employer taxes and coverage for breaks
- Meets health and safety standards under licensing
- **Non personnel expenses:**
 - Education materials and supplies, child and staff amounts;
 - Occupancy;
 - Program administration;
 - Transportation
- **Include revenue options (as of March 2024)**
 - STARS incentives
 - Tiered reimbursement



Model Variables

- Model fully customized for Montana
- Reviewed licensing standards and STARS requirements
- Any cost drivers included in the model.

Ratio and Group Size

Center-based	Ratio	Group Size
Infant/Toddler (0-23 mos)	1:4	12
2-3 year olds	1:8	16
4 year olds	1:10	24
5 year olds and over	1:14	32

Home-based	Ratio	Max. enrollment
Family Child Care	1:8	Up to 8 children
Group Child Care	2:15	Up to 15 children

*No more than 3 children under 2 in a family home
No more than 6 children under 2 in a group home*



Space

- Minimum of 35 square foot of space per child
- Additional space for support functions
- 75 sq ft of outside space per child

Compensation defaults in model

<u>Center-based</u>	Annual Salary		
	BLS	BLS, adj \$15 floor	MIT Living Wage
Director	\$48,950	\$57,675	\$98,974
Assistant Director	\$39,160	\$46,140	\$81,796
Administrative Assistant	\$40,460	\$31,200	\$51,574
Lead Teacher	\$32,750	\$38,587	\$67,046
Assistant Teacher	\$26,480	\$31,200	\$51,574
Floater/Assistants	\$26,480	\$31,200	\$51,574
<u>Home-based</u>			
Provider/Owner	\$45,031	\$53,058	\$92,189
Assistant Teacher	\$26,480	\$31,200	\$51,574

➤ **Health insurance** included with multiple options:

- Kaiser Family Foundation data on employer contribution to health insurance, Montana specific data (\$6,087)
- Include as a default dollar amount, discretionary funds for pool of benefits (\$5,000/\$7,500/\$10,000)

➤ **Retirement** benefits can be included as a percentage of salary

- 10 days **paid sick** and 10 days **paid leave**, by default, can be modified

03

Calculator Demonstration



Questions



What questions do you have about the calculator?

04

Resources

Using the Calculator

- The calculator is available on the Montana Child Care Business Connect Website:
<https://childcarebusinessconnect.com/resources/existing-provider-resources/financial/cost-of-care-modeling-tool/>
- To support your use of the tool:
 - Technical Manual, detailing the methodology and data sources
 - Brief user guide, providing a high-level overview of how to use the tool.
 - Profiles, illustrating results from the tool and demonstrating key findings – COMING SOON



Thank you



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