



Child Care

Use a Cost-Estimation Model to increase reimbursement rates.

WHY

Child care workers are one of the lowest paid professions and are less likely to have health insurance than their educational counterparts. In May 2022, the mean wage for a child care worker in Tennessee was \$25,160.¹

At the same time child care has become too expensive for many Tennessee families, ranging from \$6,749 to \$11,068 annually for care depending on age and setting.² The latter amount, for center-based infant care out-prices in-state tuition at a public university.²

Under the Child Care Development Fund Block Grant (CCDF) states are eligible to use a cost-estimation model which takes into consideration the full cost of care. Several states are moving in this direction.³

The Administration for Children and Families describes the difference between the two, "while a market rate survey measures prices charged by child care providers, a cost estimation model estimates the cost of care by incorporating both data and assumptions to model what expected costs would be incurred by child care providers and parents under different cost scenarios."³

We know that child care, particularly high-quality care, takes a large number of staff, attention, and resources, all of which carry a cost. Ensuring that our reimbursement rates match the level of care our children need and our parents expect out of our providers is one of the first steps to addressing this challenge.

Child care workers are paid less than 98 percent of all other professions. Yet, due to necessary safety ratios, labor costs make up 80 percent of providers expenses.⁴

Cost-Estimation Models should account for key factors that affect the cost of service delivery, such as:³

- Staff salaries and benefits,
- Training and professional development,
- Curricula and supplies,
- Group size and ratios,
- Enrollment levels,
- Licensing requirements,
- Quality level,
- Facility size, and
- Other factors.

Once a cost model is developed, it should also provide considerations for:

- Provider type (program model, tax status, licensing structure, etc.);
- Levels of provider star-rated quality;
- Educator and administrator qualifications and compensation;
- Child age;
- Expanded access in childcare deserts;
- Expanded access in areas with lack of access in one or more child age ranges;
- Geographic location and local or regional economic conditions and economic mobility rating;
- Fiscal and political viability.