



# Results of the 2018 Child Care Market Rate Survey

March 20, 2019

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# Executive Summary

The Child Care Services Unit, Minnesota Department of Human Services (department), consistent with federal requirements, conducts a periodic analysis of prices charged by licensed family child care and center-based providers. The 2018 Minnesota Child Care Market Rate Survey was based on data that Child Care Aware of Minnesota collected through updates to an online provider portal, paper surveys, and by phone, from July 2017 through March 2018. The analysis was prepared by a contracted vendor, ICF's Early Education Services and Survey Research team (ICF research team). It used a methodology that the ICF research team developed in conjunction with department staff. The analysis was based on responses from 1,099 child care centers and 6,352 family child care providers, representing 79 percent of all providers contacted.

Key findings include:

- A comparison of department reimbursement rates and current market prices for child care centers shows that 97 percent of reimbursement rates examined are below the 75<sup>th</sup> market price percentile, 91 percent are below the 50<sup>th</sup> percentile, and 83 percent are below the 25<sup>th</sup> percentile.
- A comparison of department reimbursement rates and current market prices for family child care providers shows that more than 99 percent of reimbursement rates examined are below the 75<sup>th</sup> market price percentile, 95 percent are below the 50<sup>th</sup> percentile, and 72 percent are below the 25<sup>th</sup> percentile.
- A comparison of provider prices and differential reimbursement rates that the department pays to providers that meet higher quality standards (providers with Three- and Four-Star Parent Aware ratings, those that are accredited, or achieved specific credentials) finds that most differential rates are less than prices that providers charge.

While the 2018 Minnesota Child Care Market Rate Survey allows department staff to compare child care reimbursement rates to prices that providers charge parents in the private market, analyzing prices alone does not provide an accurate picture of the true cost of providing care. Department staff is working with the ICF research team to prepare a child care cost analysis to augment findings in this report. This cost model analysis will produce cost estimates for different types of care, age groups, quality levels and geographic regions.

# Background on Market Rate Survey

Since 1998, the federal Administration for Children and Families (ACF) has required states to conduct a study of child care market prices to evaluate adequacy of state reimbursement rates for the purpose of demonstrating equal access to child care for low-income families. States use the results of market price surveys to inform rate-setting policy, and to establish maximum reimbursement rates for children served through child care assistance programs. The federal requirement encourages states to establish child care payment rates high enough to enable families receiving child care assistance to find and afford care.

Historically, ACF has encouraged states to use market price survey findings to inform setting maximum reimbursement rates for child care subsidies. Federal Child Care and Development Fund (CCDF) regulations state that maximum rates established at least at the 75<sup>th</sup> percentile is regarded as providing equal access. At this percentile, states' reimbursement rates would be equal to, or exceed, prices charged by providers for 75 percent of child care slots. As described in the preamble to the final rule, [81 FR 67512] the 75<sup>th</sup> percentile payment rate is viewed as a proxy for equal access. However, a 2018 report by the National Women's Law Center found that only one state was reported to set reimbursement rates at the 75<sup>th</sup> percentile.<sup>1</sup> In making state-to-state comparisons for this benchmark, it should be noted that each state uses different definitions and methodologies to conduct surveys that differ significantly in how they balance priorities for quality, access and affordability.

A 2008 report funded by ACF, *Study of Market Prices: Validating Child Care Market Rate Surveys*, provides the main source of guidance on conducting valid child care market price surveys.<sup>2</sup> States also received additional guidance on conducting market price surveys and alternative cost-based methodologies in a recent report produced by ACF in 2017.<sup>3</sup> The ICF research team worked with department staff to conduct the 2018 Child Care Market Rate Survey based on recommended practices included in the ACF reports and CCDF program guidance.

This report provides an overview of the methodology used to conduct the analysis, results of the market rate survey, and a summary of findings.

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<sup>1</sup>Schulman, K. (2018). *Overdue for Investment: State Child Care Assistance Policies 2018*, National Women's Law Center. Retrieved from <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/11/NWLC-State-Child-Care-Assistance-Policies-2018.pdf>.

<sup>2</sup>Grobe, D., Weber, R., Davis, E., Kreader, J., & Pratt, C. (2008). *Study of Market Prices: Validating Child Care Market Rate Surveys*. Oregon Child Care Research Project and Oregon State University Family Policy Research Partnership.

<sup>3</sup>Davis, E. E., Karoly, L. A., Weber, R., Caronongan, P., Tout, K., Banghart, P., Shaw, S. H., & et al. (2017). Market rate surveys and alternative methods of data collection and analysis to inform subsidy payment rates. (OPRE Report No. 2017-115). Washington, D.C.: U.S. Administration for Children and Families, Office of Planning, Research and Evaluation. Retrieved from [https://www.acf.hhs.gov/sites/default/files/opre/ccepra\\_methods\\_for\\_informing\\_subsidy\\_rates\\_508\\_compliant\\_v2b.pdf](https://www.acf.hhs.gov/sites/default/files/opre/ccepra_methods_for_informing_subsidy_rates_508_compliant_v2b.pdf).

# Overview of Methodology

## Survey Population

The 2018 Minnesota Child Care Market Rate Survey is based on data that Child Care Aware of Minnesota collected during Child Care Provider Business Updates administered to all licensed child care providers in the state. Although many states only sample a portion of the population when preparing a child care Market Rate Survey, the business update makes it feasible to conduct a census with high response rates that produce accurate results. As illustrated in Table 1, the sample frame included 9,411 providers, including 1,233 center-based and 8,178 family child care providers. The sample frame excluded providers that were no longer in business, providers not accepting children from the general public, and part-time preschool providers. In summary, 7,451 providers responded, including 1,099 center-based and 6,352 family child care providers. The overall response rate was 69 percent, ranging from 70 percent for center-based to 69 percent for family child care providers. An analysis of responses indicates that data collected represents the provider population distribution across counties within the state.

**Table 1: Survey Population by Provider Type**

Survey Population Category	Center	Family	Total
Full survey population	1,233	8,178	9,411
Responses received	863	5,614	6,477
<b>Response rate</b>	<b>70 percent</b>	<b>69 percent</b>	<b>69 percent</b>

## Data Collection

Child Care Aware of Minnesota conducted Child Care Provider Business Updates between July 2017 and March 2018. During updates, providers either entered current price data into an online child care provider portal, provided the price data during phone interviews, or completed a paper survey. Typically, up to three contact attempts were made by phone for providers who did not enter data into the provider portal or return a completed paper survey.

Department staff engaged with the state’s Early Learning Council, local child care providers, and organizations representing providers, about the data collection effort. Discussions focused on explaining the survey, data analysis, how analysis results would be used, answering questions and gathering feedback. As a result, department staff worked with Child Care Aware of Minnesota to improve marketing efforts, including tribal providers.

After completing data collection, Child Care Aware of Minnesota provided the ICF research team with a file export to use for conducting the 2018 Minnesota Child Care Market Rate Survey analysis. The file export included basic demographic, capacity, and price data for each provider.

## Data Analysis

### Cluster Methodology

Department staff established this methodology in 2009 based on the Alternative Methods study.<sup>4</sup> A large number of stakeholders were involved in the group that designed the cluster methodology.

### Reviewing Data Inconsistencies and Outliers

After receiving the file export from Child Care Aware of Minnesota, the ICF research team converted the file into an SAS format for analysis and examined the files for data inconsistencies and outliers. A provider's record could be flagged as inconsistent or an outlier if data on prices, hours of operation or capacity fell outside of acceptable boundaries. Child Care Aware of Minnesota contacted providers whose records were flagged to determine if edits to the data were needed. After receiving edits, the ICF research team revised datasets and excluded any remaining outliers.

### Weighting of Data by Capacity

For center-based providers, the ICF research team weighted the price estimates by each provider's capacity to more accurately represent varying sizes of providers. When available, the minimum of a provider's desired capacity and licensed capacity was used as the weighting factor because it represents the true capacity of a provider. In instances where data on desired capacity was unavailable, the licensed capacity was used as the weighting factor. The price estimates for family child care were not weighted, as these providers typically have the same licensed capacity.

### Percentile Calculations and Cluster Assignments

The ICF research team computed 50<sup>th</sup> percentile estimates for prices by county, provider and rate types. The 50<sup>th</sup> percentile estimates were standardized to a normal distribution with a mean of zero and a standard deviation of one by provider and rate types. For each provider type, the ICF research team computed the mean of standardized rates by county, and entered the means into a price clustering algorithm modeled after Fisher's Method of Exact Optimization. For each type of care, the algorithm assigned to counties with similar

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<sup>4</sup> Davis, E. E., Weber, R., Albright, J. C., Maiga, E. H., & Grobe, D. (2009). *Alternative methods for Minnesota's market rate study of child care prices [Executive summary]*. (DHS-5540-ENG). St. Paul: Minnesota Department of Human Services. Retrieved December 22, 2009, from <https://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-5540-ENG#>.

price distributions to one of four price clusters. The ICF research team calculated the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile price estimates for each price mode (hourly, daily, weekly), each age group (infant, toddler, preschool, school age), and each type of care in each of the four price clusters. The percentile calculations are shown in Table 2 for center-based providers and Table 3 for family child care providers. The cluster assignments for both center-based and family child care providers are shown in Table 4 and also on the maps in Illustrations 1 and 2.



# Results of Market Rate Survey

## Center-based Percentile Calculations

Table 2 below shows the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile calculations for each age group and price mode (hourly, daily, weekly) for each of the four price clusters for center-based child care. The 50<sup>th</sup> percentile is equivalent to the median. A comparison of department reimbursement rates<sup>5</sup> and current market prices for child care centers finds that 97 percent of reimbursement rates examined are below the 75<sup>th</sup> market price percentile, 91 percent are below the 50<sup>th</sup> percentile, and 83 percent are below the 25<sup>th</sup> percentile.

**Table 2: Center-based Rates and Percentiles by Price Cluster and Age of Care**

Center Price Cluster	Age Group	Hourly 25th Percentile	Hourly 50th Percentile	Hourly 75th Percentile	Daily 25th Percentile	Daily 50th Percentile	Daily 75th Percentile	Weekly 25th Percentile	Weekly 50th Percentile	Weekly 75th Percentile
1	Infant	\$3.40	\$4.00	\$5.00	\$32.00	\$33.00	\$36.00	\$157.00	\$175.00	\$195.00
1	Toddler	\$3.25	\$3.75	\$4.70	\$29.00	\$31.00	\$32.00	\$140.00	\$157.00	\$170.00
1	Preschool	\$3.00	\$3.50	\$4.50	\$27.00	\$28.25	\$31.00	\$130.00	\$151.00	\$160.00
1	School Age	\$2.90	\$3.25	\$4.25	\$28.00	\$30.00	\$34.50	\$125.00	\$147.00	\$162.50

<sup>5</sup> [Minnesota Child Care Assistance Program: Standard Maximum Rates – No Quality Differential \(DHS-6441B-ENG\) \(PDF\)](https://edocs.dhs.state.mn.us/lfsrserver/Public/DHS-6441B-ENG). <https://edocs.dhs.state.mn.us/lfsrserver/Public/DHS-6441B-ENG>.

Center Price Cluster	Age Group	Hourly 25th Percentile	Hourly 50th Percentile	Hourly 75th Percentile	Daily 25th Percentile	Daily 50th Percentile	Daily 75th Percentile	Weekly 25th Percentile	Weekly 50th Percentile	Weekly 75th Percentile
2	Infant	\$4.50	\$6.00	\$7.70	\$41.00	\$44.80	\$50.00	\$184.00	\$199.00	\$213.00
2	Toddler	\$4.00	\$5.40	\$7.20	\$38.00	\$41.00	\$45.00	\$168.00	\$185.00	\$199.00
2	Preschool	\$3.85	\$5.00	\$6.60	\$35.00	\$38.00	\$42.80	\$160.00	\$175.00	\$185.00
2	School Age	\$3.70	\$4.25	\$5.50	\$32.00	\$36.00	\$39.00	\$137.50	\$150.00	\$151.00
3	Infant	\$12.00	\$14.00	\$16.00	\$59.00	\$69.75	\$86.00	\$210.00	\$236.00	\$255.00
3	Toddler	\$11.25	\$14.00	\$14.00	\$55.00	\$62.50	\$78.00	\$188.00	\$202.50	\$225.00
3	Preschool	\$10.00	\$12.00	\$12.00	\$45.00	\$57.00	\$70.00	\$175.00	\$190.00	\$215.00
3	School Age	\$9.00	\$12.00	\$13.00	\$35.00	\$47.00	\$66.00	\$138.00	\$152.00	\$170.00
4	Infant	\$10.85	\$16.00	\$16.00	\$86.24	\$109.00	\$246.00	\$305.00	\$358.00	\$398.00
4	Toddler	\$9.17	\$14.00	\$14.00	\$69.00	\$86.00	\$179.00	\$260.00	\$305.00	\$352.00
4	Preschool	\$8.60	\$12.00	\$12.00	\$60.00	\$76.00	\$162.00	\$235.00	\$273.00	\$306.00
4	School Age	\$7.50	\$7.50	\$9.60	\$53.74	\$61.84	\$92.00	\$177.00	\$189.00	\$223.37

## Family Child Care Percentile Calculations

Table 3 below shows the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile calculations for each age group and price mode (hourly, daily, weekly) for each of the four price clusters for family child care. The 50<sup>th</sup> percentile is equivalent to the median. A comparison of department reimbursement rates<sup>6</sup> and current market prices for family child care providers finds that more than 99 percent of reimbursement rates examined are below the 75<sup>th</sup> market price percentile, 95 percent are below the 50<sup>th</sup> percentile, and 72 percent are below the 25<sup>th</sup> percentile.

**Table 3: Family Child Care Rates and Percentiles by Price Cluster and Age of Care**

Family Child Care Price Cluster	Age Group	Hourly 25th Percentile	Hourly 50th Percentile	Hourly 75th Percentile	Daily 25th Percentile	Daily 50th Percentile	Daily 75th Percentile	Weekly 25th Percentile	Weekly 50th Percentile	Weekly 75th Percentile
1	Infant	\$2.50	\$2.50	\$2.75	\$22.00	\$25.00	\$25.00	\$100.00	\$115.00	\$125.00
1	Toddler	\$2.30	\$2.50	\$2.75	\$21.00	\$24.00	\$25.00	\$100.00	\$110.00	\$120.00
1	Preschool	\$2.25	\$2.50	\$2.65	\$20.00	\$23.00	\$25.00	\$100.00	\$110.00	\$120.00
1	School Age	\$2.25	\$2.50	\$2.65	\$20.00	\$23.00	\$25.00	\$87.50	\$100.00	\$112.50

<sup>6</sup> [Minnesota Child Care Assistance Program: Standard Maximum Rates – No Quality Differential. \(DHS-6441B-ENG\) \(PDF\). https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6441B-ENG.](https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6441B-ENG)

Family Child Care Price Cluster	Age Group	Hourly 25th Percentile	Hourly 50th Percentile	Hourly 75th Percentile	Daily 25th Percentile	Daily 50th Percentile	Daily 75th Percentile	Weekly 25th Percentile	Weekly 50th Percentile	Weekly 75th Percentile
2	Infant	\$2.50	\$2.75	\$3.00	\$25.00	\$27.00	\$30.00	\$125.00	\$130.00	\$140.00
2	Toddler	\$2.50	\$2.75	\$3.00	\$25.00	\$25.00	\$30.00	\$120.00	\$125.00	\$135.00
2	Preschool	\$2.50	\$2.65	\$3.00	\$25.00	\$25.00	\$28.00	\$115.00	\$125.00	\$130.00
2	School Age	\$2.50	\$2.65	\$3.00	\$24.00	\$25.00	\$27.00	\$100.00	\$120.00	\$128.00
3	Infant	\$3.00	\$3.35	\$4.00	\$30.00	\$33.00	\$37.00	\$140.00	\$150.00	\$170.00
3	Toddler	\$3.00	\$3.25	\$4.00	\$28.00	\$30.00	\$35.00	\$135.00	\$150.00	\$160.00
3	Preschool	\$2.85	\$3.00	\$4.00	\$27.00	\$30.00	\$35.00	\$130.00	\$140.00	\$150.00
3	School Age	\$2.80	\$3.00	\$4.00	\$25.00	\$28.00	\$30.00	\$120.00	\$130.00	\$145.00
4	Infant	\$5.00	\$6.32	\$9.00	\$36.00	\$40.00	\$50.00	\$170.00	\$185.00	\$200.00
4	Toddler	\$5.00	\$6.00	\$8.00	\$35.00	\$40.00	\$47.00	\$160.00	\$175.00	\$200.00
4	Preschool	\$5.00	\$6.00	\$8.00	\$33.00	\$38.00	\$45.00	\$150.00	\$165.00	\$185.00
4	School Age	\$5.00	\$5.50	\$7.50	\$30.00	\$35.00	\$40.00	\$130.00	\$150.00	\$170.00

## Cluster Assignments

As described in the methodology section, Minnesota counties were grouped into price clusters by provider type based on similarities in price distributions among counties. Table 4 below provides cluster assignments for both center-based and family child care providers.

For center-based providers, all counties were assigned to the same cluster as in the 2016 report except for three (Cook, Douglas, Murray), which increased one cluster assignment; one county (Yellow Medicine) increased two cluster assignments; and 13 counties (Becker, Beltrami, Brown, Goodhue, Itasca, Kanabec, Kandiyohi, Meeker, Mille Lacs, Morrison, Nicollet, Otter Tail, Polk) decreased one cluster assignment. Nineteen counties had no 2018 center-based data and were not assigned to clusters.

For family child care, all counties were assigned to the same cluster as in the previous report except for 12 (Big Stone, Brown, Clay, Cook, Fillmore, Kanabec, Lincoln, Mahnomon, Marshall, Morrison, Nobles, Todd), which increased one cluster assignment, and three (Pope, Renville, Wadena) decreased one cluster assignment.

**Table 4: Cluster Assignments for Center-based and Family Child Care Providers**

County Name	Center-based Price Cluster Assignment	Family Child Care Price Cluster Assignment
Aitkin	Unassigned <sup>1</sup>	3
Anoka	4	4
Becker	2	2
Beltrami	1	2
Benton	2	2
Big Stone	Unassigned <sup>1</sup>	2
Blue Earth	2	2
Brown	1	2
Carlton	2	3
Carver	4	4
Cass	1	2
Chippewa	Unassigned <sup>1</sup>	1
Chisago	3	3
Clay	2	3
Clearwater	Unassigned <sup>1</sup>	2
Cook	2	4
Cottonwood	1	2

County Name	Center-based Price Cluster Assignment	Family Child Care Price Cluster Assignment
Crow Wing	2	2
Dakota	4	4
Dodge	2	3
Douglas	2	2
Faribault	1	1
Fillmore	1	3
Freeborn	2	2
Goodhue	2	3
Grant	Unassigned <sup>1</sup>	2
Hennepin	4	4
Houston	1	2
Hubbard	2	2
Isanti	3	3
Itasca	1	3
Jackson	1	1
Kanabec	1	2
Kandiyohi	2	2
Kittson	Unassigned <sup>1</sup>	1
Koochiching	Unassigned <sup>1</sup>	1
Lac qui Parle	1	2
Lake	Unassigned <sup>1</sup>	2
Lake of the Woods	Unassigned <sup>1</sup>	1
Le Sueur	1	3
Lincoln	1	2
Lyon	1	2
McLeod	2	2
Mahnomen	Unassigned <sup>1</sup>	2
Marshall	Unassigned <sup>1</sup>	2
Martin	Unassigned <sup>1</sup>	1
Meeker	2	2
Mille Lacs	2	2
Morrison	1	2

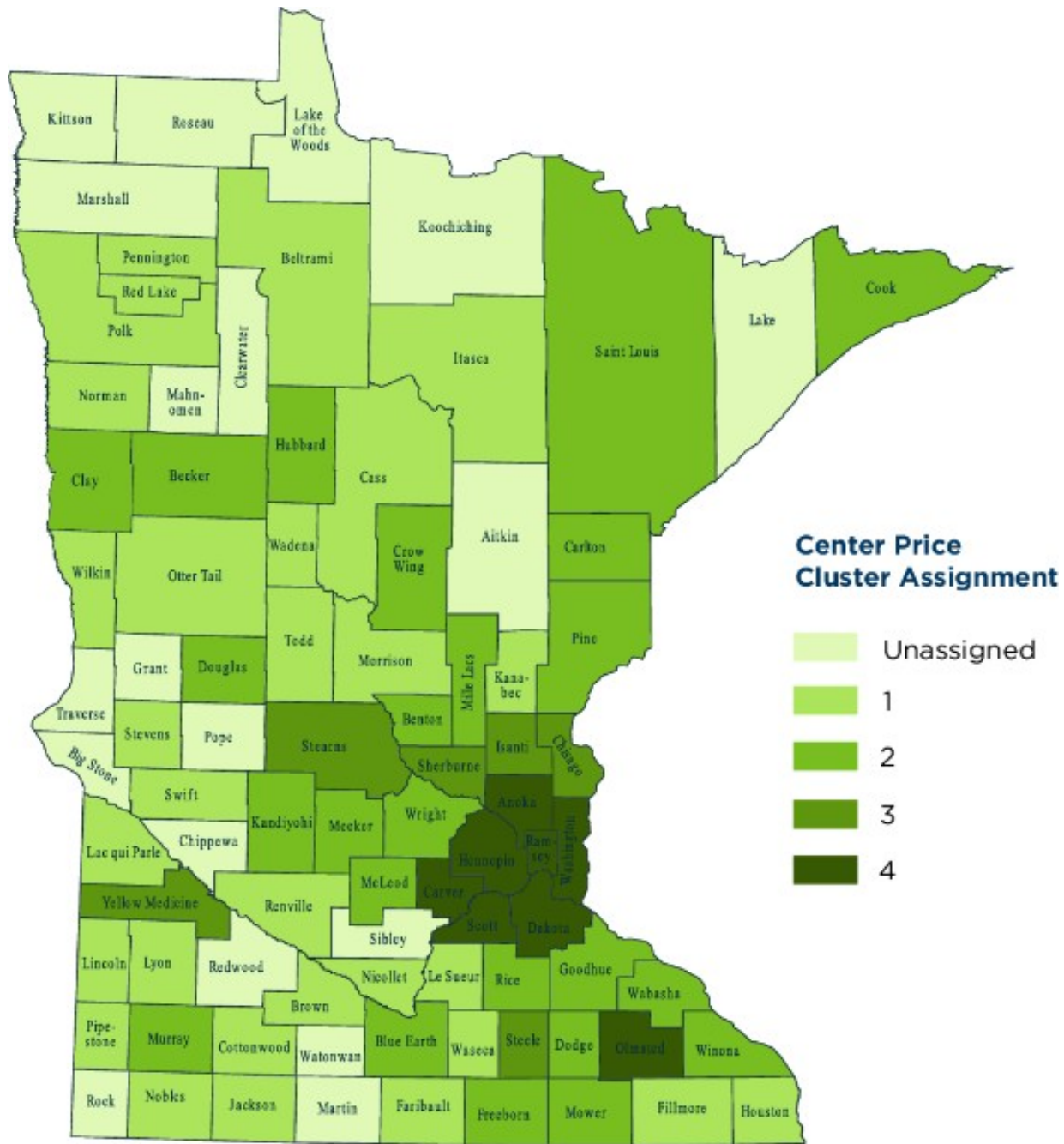
County Name	Center-based Price Cluster Assignment	Family Child Care Price Cluster Assignment
Mower	2	2
Murray	2	1
Nicollet	1	2
Nobles	1	2
Norman	1	1
Olmsted	4	3
Otter Tail	1	2
Pennington	1	2
Pine	2	2
Pipestone	1	1
Polk	1	2
Pope	Unassigned <sup>1</sup>	1
Ramsey	4	4
Red Lake	1	1
Redwood	Unassigned <sup>1</sup>	2
Renville	1	1
Rice	2	3
Rock	Unassigned <sup>1</sup>	1
Roseau	Unassigned <sup>1</sup>	1
St. Louis	2	3
Scott	4	4
Sherburne	3	3
Sibley	Unassigned <sup>1</sup>	3
Stearns	3	2
Steele	3	2
Stevens	1	1
Swift	1	1
Todd	1	2
Traverse	Unassigned <sup>1</sup>	2
Wabasha	2	2
Wadena	1	1
Waseca	1	2

County Name	Center-based Price Cluster Assignment	Family Child Care Price Cluster Assignment
Washington	4	4
Watonwan	Unassigned <sup>1</sup>	1
Wilkin	1	1
Winona	2	2
Wright	2	3
Yellow Medicine	3	1

<sup>1</sup> Counties with no reported prices in 2018 are not assigned to a price cluster.

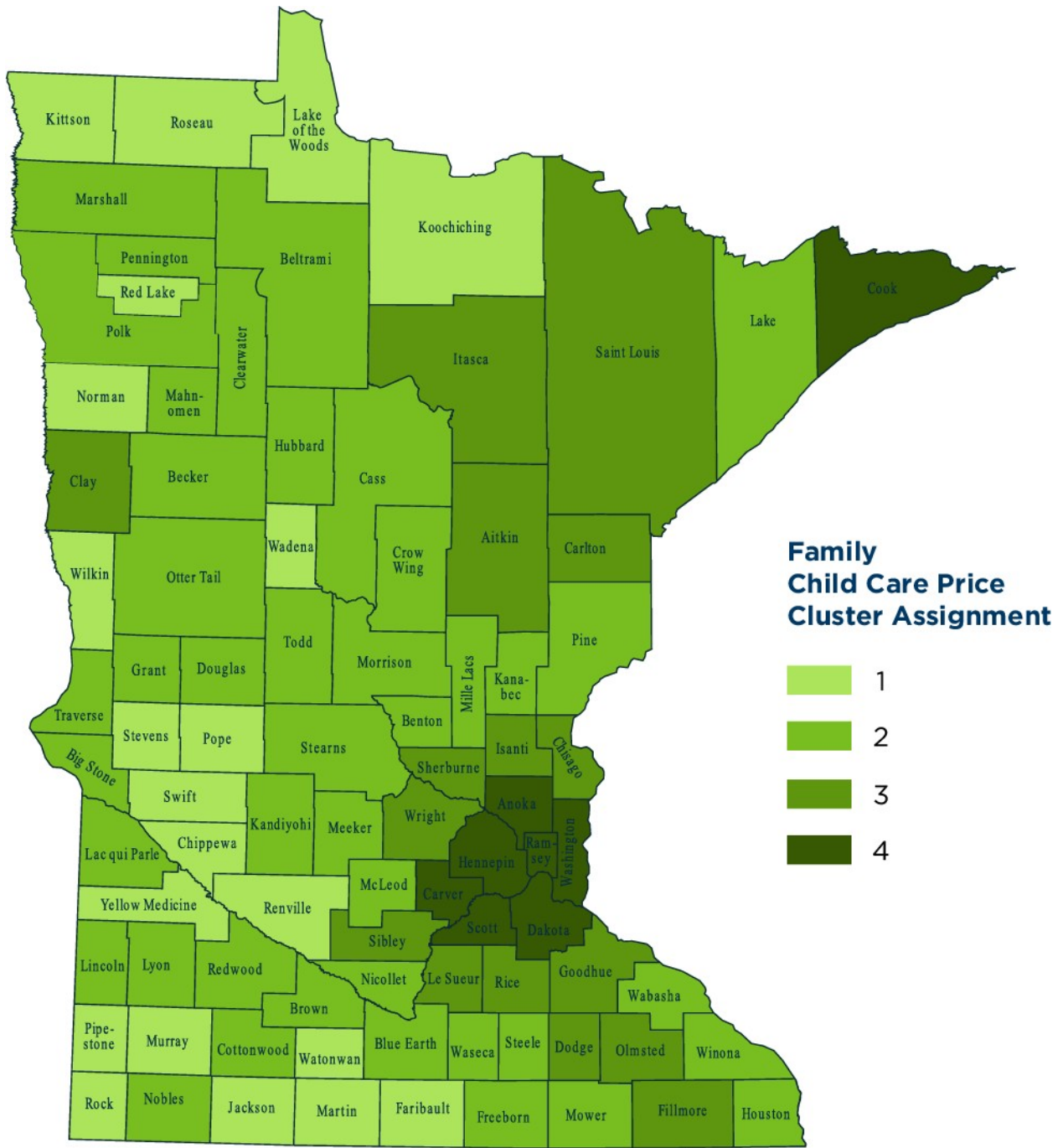


Illustration 1: 2018 Price Cluster Assignments for Center-based Providers



<sup>1</sup> Counties with no reported center rates in 2018 are not assigned a price cluster.

**Illustration 2: 2018 Price Cluster Assignments for Family Child Care Providers**

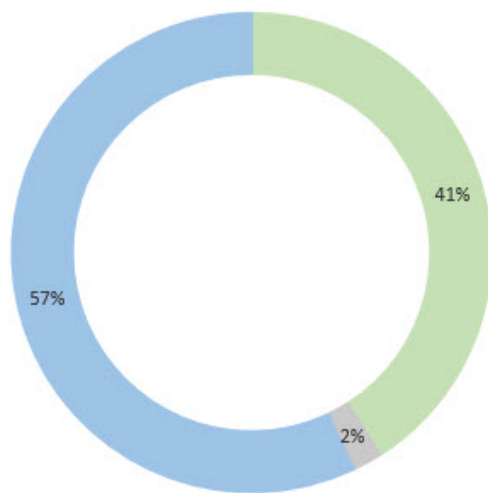


## Comparison of Provider Prices and Differential Rates

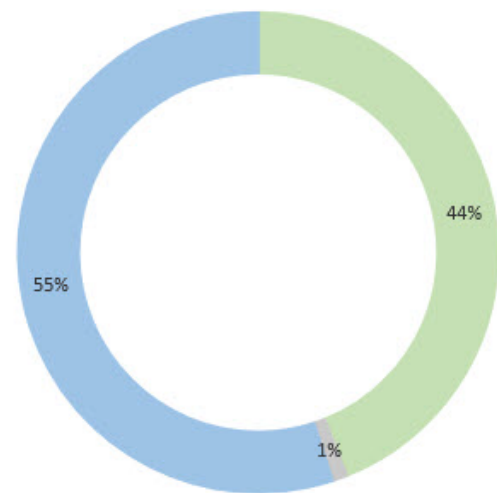
In addition to the standard reimbursement rate that providers receive when serving families participating in the Child Care Assistance Program, providers also are eligible to receive up to an additional 15 percent differential (in addition to hourly, daily or weekly reimbursement rates) if they hold certain accreditations or credentials, or have a Three-Star Parent Aware Rating. They are eligible for up to a 20 percent differential if they have a Four-Star Parent Aware Rating.

The ICF research team compared prices that providers charge with differential rates they receive for meeting additional quality standards. In general, most differential rates are less than prices that providers charge. As shown in Illustrations 3 and 4, differential rates<sup>7</sup> are less than the prices charged for 57 percent of centers and 55 percent of family child care providers who have Three-Star ratings or hold accreditations or credentials. As shown in Illustrations 5 and 6, differential rates<sup>8</sup> for Four-Star providers are less than prices charged for 68 percent of centers and 58 percent of family child care providers.

**Illustration 3: Three-Star and Accredited Centers**      **Illustration 4: Three-Star and Accredited Family Child Care**



■ Three-Star differential rate is more than provider price  
■ Three-Star differential rate is equal to provider price  
■ Three-Star differential rate is less than provider price

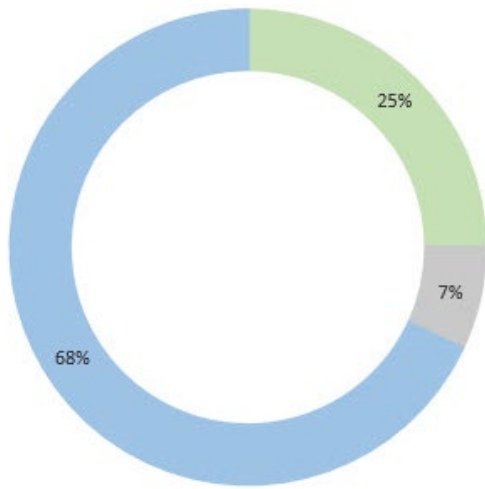


■ Three-Star differential rate is more than provider price  
■ Three-Star differential rate is equal to provider price  
■ Three-Star differential rate is less than provider price

<sup>7</sup> [Minnesota Child Care Assistance Program: 15 Percent Quality Differential Maximum Rates \(DHS-6442B \(PDF\) https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6442B-ENG\)](https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6442B-ENG)

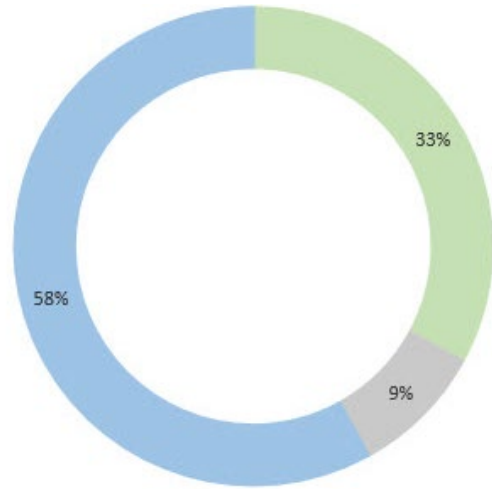
<sup>8</sup> [Minnesota Child Care Assistance Program: 20 Percent Quality Differential Maximum Rates \(DSH-6824-ENG\) \(PDF\): https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6824-ENG\)](https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6824-ENG)

**Illustration 5: Four-Star Centers**



- Four-Star differential rate is more than provider price
- Four-Star differential rate is equal to provider price
- Four-Star differential rate is less than provider price

**Illustration 6: Four-Star Family Child Care**



- Four-Star differential rate is more than provider price
- Four-Star differential rate is equal to provider price
- Four-Star differential rate is less than provider price

# Summary of Findings and Next Steps

## Overview of Findings

Based on results of the 2018 Minnesota Child Care Market Rate Survey, the ICF research team identified the following key findings:

- A comparison of department reimbursement rates and current market prices for child care centers finds that 97 percent of reimbursement rates examined are below the 75<sup>th</sup> market price percentile, 91 percent are below the 50<sup>th</sup> percentile, and 83 percent are below the 25<sup>th</sup> percentile. For family child care providers, more than 99 percent of reimbursement rates examined are below the 75<sup>th</sup> market price percentile, 95 percent are below the 50<sup>th</sup> percentile, and 72 percent are below the 25<sup>th</sup> percentile. As additional funds may become available, the department could use the existing analytical framework to evaluate options for allocating funding to address the most significant access challenges.
- A comparison of provider prices and differential reimbursement rates that the department pays to providers that meet higher quality standards finds that most differential rates are less than the prices that providers charge. This may place strains on some providers to maintain standards in the future.
- While the 2018 Minnesota Child Care Market Rate Survey allows department staff to compare child care reimbursement rates to the prices that providers charge parents in the private market, analyzing prices alone does not provide an accurate picture of the true cost of providing care.

## Next Steps

To augment the 2018 Child Care Market Rate Survey, the ICF research team will prepare a child care provider cost modeling study. The study will use the [Provider Cost of Quality Calculator](#) to model the personnel and non-personnel costs of providing care under different provider scenarios. The study will rely on a combination of information from national and commercial datasets, data from the 2018 Minnesota Child Care Market Rate Survey, information gathered from stakeholder meetings, interviews with providers and provider surveys. The study will help to answer the following research questions:

- How do costs vary across the different quality levels for different provider types and age groups served?
- How do the costs of care vary by geographic location, e.g., metro, urban and rural?
- What is the cost of implementing new CCDF health, safety and staffing standards?
- What changes to subsidy policies and financial supports for Minnesota's QRIS are needed to incentivize providers to move to higher levels of quality?

The ICF research team started work in September 2018 and expects to complete work in spring 2019. The team is working with department staff and an advisory panel to refine research questions that the model will answer, facilitate data collection, and review the findings and recommendations to include in the final report.