



[HF 2270](#) – Child Care Provider Rate Increase (LSB5649HVV.1)
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Fiscal Note Version – New

Description

The Bill directs the Department of Human Services (DHS) to increase provider reimbursement rates for the Child Care Assistance (CCA) Program for any provider below the 50th percentile of the [2017 Market Rate Survey](#) to that level. The DHS is also directed to adjust reimbursement rates for providers participating in the voluntary [Quality Rating System](#) (QRS) to maintain the participation incentive.

Background

Child Care Assistance provider reimbursement rates vary by the following characteristics:

- Provider type: Licensed Child Care Center, Registered Child Development Home (A or B, and C), and nonregistered Child Care Home with a CCA Provider Agreement.
- Age of the child served: Infant/toddler, preschool, and school-aged.
- Participation in the QRS: Basic rate (nonparticipation), QRS Level 1 or 2, QRS Level 3 or 4, and QRS Level 5.
- There are also different reimbursement rates for children with special needs.

This brings the total number of rate cells to 48, excluding special needs care. Rates were last increased effective January 1, 2019, moving some providers from as low as the 10th or 15th percentile up to the 35th and 40th percentiles for the basic (non-QRS participating) provider rates.¹ Rates for providers at QRS Level 5 (the highest) are set at the 75th percentile.

The current forecast for available funding and total expenditures is available in this [Fiscal Update Article](#).

Assumptions

- Basic rates would increase for nine rate cells that reimburse Licensed Child Care Centers, registered Child Development Home C Providers, and nonregistered Child Care Homes that have a provider agreement with the DHS to participate in the CCA Program. The average increase of the units of service is \$1.48; however, for calculations of this estimate, the actual increases provided to the 19 distinct rate cells are utilized.
- Ten QRS rates for Tier 1-2 and Tier 3-4 for Child Care Centers and Child Development Home C Providers would also increase.
- As of January 2020, 24,000 children were served on a monthly basis.
- The average child eligible for the Program receives eight units of service per week. A unit of service is up to five hours in a 24-hour period.
- Of the children receiving services, 15,000 were served at rates that would be increased by the Bill.

¹ 2018 Iowa Acts, ch. [1165](#), §42 (Health and Human Services Appropriations Act).

Fiscal Impact

House File 2270 will increase expenditures for the Child Care Assistance Program by an estimated \$7.2 million in FY 2021. Of this amount, the estimate is anticipated to be distributed by provider type as follows:

- Licensed Child Care Centers: \$5.7 million
- Child Development Home C Providers: \$692,000
- Nonregistered Child Care Homes that have a provider agreement with the DHS to participate in the CCA Program: \$852,000

This amount will fluctuate annually thereafter based on trends in enrollment and costs per case utilization.

There is a sufficient balance of federal funds projected to be carried forward at the end of FY 2020 to not require an increase from the General Fund appropriation in FY 2021 for the rate increase proposed under the Bill.

Sources

Department of Human Services

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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