



[HF 292](#) – Child Care Provider Rates (LSB1142HV)
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Fiscal Note Version – New

Description

[House File 292](#) 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 most recently completed market rate survey ([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 39, excluding special needs care, as nonregistered Child Care Homes do not participate in the QRS. 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 eight 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 \$2.41 over the eight cells increased. The DHS estimates an approximate increase of \$6.4 million in annual costs for the basic rate reimbursements.
- Six QRS rates for Levels 1 and 2 would increase for Child Care Centers and Child Development Home C providers. The average increase of the units of service is \$1.33 over the six cells increased. The DHS estimates an approximate increase of \$2.7 million in annual costs for the QRS Levels 1 and 2 rate reimbursements.
- Six QRS rates for Levels 3 and 4 would increase for Child Care Centers and Child Development Home C providers. The average increase of the units of service is \$1.22 over

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

the six cells increased. The DHS estimates an approximate increase of \$3.7 million in annual costs for the QRS 3-4 rate reimbursements.

- Five QRS rates for Level 5 would increase for Child Care Centers and Child Development Home C providers. The average increase of the units of service is \$0.87 over the five cells increased. The DHS estimates an approximate increase of \$500,000 in annual costs for the QRS Level 5 rate reimbursements.
- As of January 2021, 24,000 children were served by the CCA Program 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 5 hours in a 24-hour period.
- Of the children receiving services, 17,000 were served at rates that would be increased by the Bill.

Fiscal Impact

House File 292 would increase expenditures for the Child Care Assistance Program by an estimated \$13.4 million in FY 2022. Of this amount, the estimate is anticipated to be distributed by provider type as follows:

- Licensed Child Care Centers: \$11.8 million
- Registered Child Development Home C providers: \$592,000
- Nonregistered Child Care Homes that have a provider agreement with the DHS to participate in the CCA Program: \$954,000

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 2021 and FY 2022 to not require an increase from the General Fund appropriation in FY 2022 or FY 2023 for the rate increase proposed under the Bill.

Source

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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