# FAQs: Child Care Assistance Program Market Survey and Maximum Rates

The Child Care Assistance Program (CCAP) provides financial assistance to help income-eligible families pay for child care so that parents can work or go to school. It also helps ensure that children are well cared for and prepared to enter school ready to learn. There are limits on how much CCAP can pay providers for the child care services that families use. One way payments are limited is through maximum reimbursement rates. The CCAP payment is capped by the provider’s charge[[1]](#footnote-1) or the applicable maximum rate, whichever is lower.

## Child Care Market Rate Survey

The Minnesota Department of Human Services (DHS), through a contract with Child Care Aware of Minnesota, conducts a statewide survey every two years of the prices charged by licensed family child care and licensed child care center providers.

What kind of information is gathered by the market rate survey?

The market rate survey gathers hourly, daily and weekly prices charged, deposit fee, registration fee, and willingness to care for children receiving CCAP. At the time of the market rate survey, the provider is also asked to provide some additional information about other aspects of their business used for referral on parentaware.org.

When were recent market rate surveys conducted and who was surveyed?

Most recently, market rate surveys were conducted in 2014 and 2016.

The 2014 market rate survey started in September 2013 and finished in May 2014. Licensed family child care providers; licensed centers; school age care programs and Head Start programs licensed as child care centers; and tribal providers were asked to complete the survey. This includes approximately 9,800 licensed family child care providers and 1,000 licensed center programs.

The 2016 market rate survey started in January 2016 and finished in May 2016. All licensed child care programs, including licensed family child care; licensed centers; tribal providers; school age care programs, preschools and Head Starts licensed as child care centers, were asked to complete the survey. This includes approximately 9,000 licensed family child care providers and 1,600[[2]](#footnote-2) licensed center programs. Approximately 65% of licensed providers across the state responded to the market rate survey.

 Where can one find the results of the market rate surveys?

Federal law and regulation require states to make available to the public a report of the results of market rate surveys. DHS posts the report of market rate survey results on the public website. These are survey results, not maximum rates.

[The Results of the 2014 Child Care Market Rate Survey](https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6226D-ENG) are found on the DHS public website.

The Results documents include:

* 50th and 75th percentile rates for four county clusters. These rates are presented by age of child, type of care, and amount of time (hourly, daily, weekly). The 50th percentile represents the mid-point in the reported prices. The 75th percentile is presented because the federal regulations identify the 75th percentile as the level at which children eligible for child care assistance have equal access to child care services that are comparable to child care services provided to children who are not eligible to receive child care assistance.
* County assignments to clusters for each type of care.
* Maps of county assignments to clusters.

The report for the 2016 Child Care Market Rate Survey is in development. Once it is finished, it will be posted.

## CCAP Maximum Reimbursement Rates

The Minnesota Legislature now sets the CCAP maximum rates. Prior to 2003, the state agency set the CCAP maximum rates at the 75th percentile of the most recent market rate survey.

What are the current maximum rates?

The current maximum rates were established during the 2013 session and took effect February 3, 2014. Center and licensed family child care maximum rates that were lower than the 25th percentile of the 2011 child care market rate survey were increased to match the 25th percentile. Rates that were already higher did not change. Legal nonlicensed family provider maximum rates are capped at 68% of the licensed family child care rate.

Do the maximum rates vary?

There are separate maximum rates for centers, licensed family child care, and legal nonlicensed family child care providers. There are also separate rates for each age group (infants, toddlers, preschool, and school age) and for each time period (hourly, daily and weekly). Additionally rates are established at the county level, with some maximum rates applied to multiple counties. This results in 2088 standard maximum reimbursement rates in Minnesota.

Examples of Maximum Weekly Rates (standard):

| **Dakota County** | **Licensed Family** | **Licensed Center** | **Isanti County** | **Licensed Family** | **Licensed Center** |
| --- | --- | --- | --- | --- | --- |
| **Infant** | $157.75\* | $268† | **Infant** | $130† | $185† |
| **Toddler** | $140† | $225† | **Toddler** | $125† | $165† |
| **Preschooler** | $134.82† | $201† | **Preschooler** | $120† | $157† |
| **School Age** | $120† | $184.02\* | **School Age** | $100† | $130† |

\* Based on the maximum rates set on Nov. 28, 2011.

† Based on the 25th Percentile of the 2011 Market Rate Survey.

There are also quality differential maximum rates that are 15 and 20 percent higher than the standard maximum rates. Providers with certain quality indicators are eligible for the higher reimbursement rates.

* Child care providers or programs who hold certain accreditations or credentials or have a Three Star Parent Aware Rating are eligible for 15 Percent Quality Differential Maximum Reimbursement Rates.
* Child care providers or programs with a Four Star Parent Aware Rating are eligible for 20 Percent Quality Differential Maximum Reimbursement Rates.

What is a 25th percentile?

The 25th percentile is the point one-quarter from the lowest to highest. The 25th percentile is determined for each maximum rate. For example, the following licensed family child care provider prices for weekly care of a preschooler have been reported in a child care provider market rate survey.

Provider A: $110

Provider B: $110

Provider C: $115 25th Percentile

Provider D: $115

Provider E: $115

Provider F: $120 50th Percentile

Provider G: $120

Provider H: $124

Provider I: $125 75th Percentile

Provider J: $130

Provider K: $135

Provider L $140

Where can one find the current maximum rates?

[Standard hour maximum rates](https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6441B-ENG) are found on the DHS public website.

[15% quality differential maximum rates](https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6442B-ENG) are found on the DHS public website.

[20% quality differential maximum rates](https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6824-ENG) are found on the DHS public website. What do we know about whether provider’s prices are fully covered by the comparable current maximum rates?

To determine this we compare each price reported by a provider during a market rate survey to the same type of maximum rate. Each price is identified as lower than, the same as, or more than the applicable maximum rate. A price that is lower than or the same as the maximum rate is considered to be ‘fully covered’. Prices more than the maximum rate are still covered up to the amount of the maximum rate; their price is partially covered by the maximum reimbursement rate.

The percent of provider prices fully covered is the count of all prices that are either lower than or the same as the maximum rate out of the total number of prices reported in the market rate survey.

The 2014 market rate survey information gathered almost 42,000 prices from approximately 7,500 licensed providers. About 12,500 of those provider prices are fully covered by the current maximum rates, or about 30%.

If maximum rates are set at the 25th percentile, how can the percent of prices fully covered be greater than 25%?

The primary reasons for this are:

* Multiple providers charge the same or nearly the same price as each other to remain competitive in their local market and that price is lower than or equal to the comparable maximum rate.
* The current maximum rates were established during the 2013 session. Center and licensed family child care maximum rates that were lower than the 25th percentile of the 2011 child care market rate survey were increased to match the 25th percentile. Rates that were already higher than the 25th percentile did not change.

For example, in the list of provider prices above, 5 out of the 12 prices or about 42%, are fully covered by the 25th percentile price.

How can prices go down, aren’t providers increasing their prices to offset increasing expenses?

The results of each Market Rate Survey reveal fluctuation in provider prices. The group of prices gathered show prices that are higher, the same or lower than the prices named in a previous Market Rate Survey. There are multiple reasons why the prices named in a Market Rate Survey might go down. The group of providers responding is different and this group of providers may charge lower prices overall. A provider’s price decline could be due to changes in their local economy or the families in their area have stagnant or declining incomes.

How do provider prices impact the maximum rates CCAP can pay?

Prior to 2003, new maximum rates were established based on the 75th percentile of the prices from the most recent survey. Since then, the Minnesota Legislature has used information about the provider prices gathered in Market Rate Surveys, as one factor in making decisions about setting new maximum rates for CCAP.

1. Providers can’t charge CCAP families more than other families for the same care. [↑](#footnote-ref-1)
2. Preschools licensed as a child care center were included in the 2016 survey, these programs were not included in the 2014 survey. This accounts for the majority of the increase in the number of licensed center programs in the 2016 survey. [↑](#footnote-ref-2)