

Tiered Reimbursement Systems (TRS) In Virginia

Although Virginia has not implemented a Tiered Reimbursement System for child care, the Virginia Department of Social Services (VA DSS) made a first step in that direction in September of 2004, when a differential subsidy payment rate was implemented for infant, toddler, and preschool child care. School age rates were not affected.

As of September 1, 2004 VA DSS phased in payment rates at two levels: Tier 1 and Tier 2. Tier 1 subsidy payments are for unlicensed providers, are lower, and are based on 2001 Maximum Reimbursable Rates determined by a 1999-2000 market rate survey. Tier 2 rates are for licensed providers, providers approved through licensed family day systems, and certain family day homes approved under local ordinance. They are calculated using a 2002 market rate survey with the rate set at the 75th percentile. For children with special needs, payment may be the actual cost of care, even if it exceeds the Maximum Reimbursable Rates.

Quality Rating Systems (QRS) in Virginia

Although there is interest from many different groups, Virginia does not currently have a Quality Rating System for child care. Despite slow progress at the state level, several local coalitions in Virginia are developing pilot Quality Rating Systems that will be implemented at the local level.

Rated License Systems (RLS) in Virginia

Virginia does not have a rated license system.

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Voices for Virginia's Children

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Improving Quality in Early Childhood Education: Tiered Reimbursement, Quality Ratings, and Rated Licenses

With so many young children spending significant time in out of home care, ensuring quality in child care is increasingly important. Licensing standards set minimal requirements but do not reflect quality. Program accreditation requires the highest standards. Between the two is a lot of ground. In an attempt to improve quality, many state and local initiatives have focused resources on accreditation assistance but found that it takes some programs a long time to achieve accreditation and many drop out along the way, viewing accreditation as something beyond their reach.

By definition, Quality Improvement Systems (QIS) recognize quality beyond licensing requirements. In developing QIS, many states have used one or a combination of three major approaches:

- Tiered Reimbursement Systems (TRS)
- Quality Rating Systems (QRS)
- Rated License Systems (RLS)

The most often used funding sources for these QIS activities have been the Child Care and Development Fund (CCDF), Temporary Assistance to Needy Families (TANF), or State General Funds (SGF).

Tiered Reimbursement Systems (TRS)

Tiered Reimbursement Systems link measures of quality to child care subsidy payments and pay higher rates to those providing higher quality care. Children who are eligible to receive subsidy payments are among those most at-risk and are also those who have fewer high quality child care options available to them. States have found that implementing Tiered Reimbursement Systems both increases the number of slots in high quality programs available to low-income children and raises the quality of care in programs already serving subsidy children by providing financial incentives to them for program improvement.

While Tiered Reimbursement Systems have been successful in raising quality in providers who serve children receiving subsidies, they are not effective in increasing quality in providers who do not serve children with subsidies. To raise quality among all providers, some states have offered differential bonus payments as well as tiered subsidy payments to providers meeting higher quality standards.

Quality Rating Systems (QRS)

Quality Rating Systems rate programs on the basis of a set of criteria and assign points, stars, or levels that describe the quality of the program. Most combine checklists that monitor compliance against set criteria with observations/assessments using environment rating scales like the Early Childhood Environment Rating Scale (ECERS)ⁱ, the Infant/Toddler Environment Rating Scale (ITERS)ⁱⁱ, and the Family Day Care Rating Scale (FDCRS)ⁱⁱⁱ.

The following list includes the most commonly used criteria for Quality Rating Systems in the order in which they are most often used:

- Professional development/qualifications/training
- Learning environments/curriculum
- Parent/family involvement
- Accreditation
- Licensing status/compliance
- Ratios/group size
- Program evaluation
- Staff compensation
- Administrative policies and procedures
- Health/safety/nutrition
- Personnel/staffing
- Program quality
- Staff/child interactions^{iv}

Some Quality Rating Systems use levels and some use stars to designate the assessed level of quality. Many but not all state level QRS include national accreditation as part of their plan. Quality Rating Systems establish a shared vision of quality, educate providers on the components that make up quality, help families access information about quality so they become better consumers, and help improve accountability to funders.

Effective Quality Rating Systems

- Have multiple levels or steps, that are clearly articulated so that participants understand what is expected and how to comply;
- Are research based and validated;
- Have a broad scope that includes all types of early care and education programs;
- Are statewide or local pilots of what will eventually become a statewide system;
- Are linked to consultation, financial incentives and support systems with a focus on continuous quality improvement; and
- Have a public awareness component aimed at consumer education and engagement.^v

Rated License Systems (RLS)

Several states have tied QRS to licensing and issue licenses that designate quality levels. Most of these systems make the provider's rating public and thus provide an easy way for families to evaluate the quality of care in different centers and by different providers. Tennessee requires all providers to post "report cards" and allows the voluntary participation of high quality programs in its Star Quality System.^{vi} North Carolina has a Five Star Rated License that began as a voluntary program.^{vii}

States use licensing staff, university personnel, and private sector partners to determine ratings. Most also have an array of supports such as financial incentives, improvement grants, technical assistance, scholarships/courses for professional development, mentoring, parent education/public awareness, and teacher compensation/benefits to reduce turnover. Virginia has some of these supports already in place.

Policy Recommendations

- Develop a Tiered Reimbursement System for subsidy payments that recognizes and rewards quality beyond licensure.
- Develop and implement a statewide Quality Rating System that recognizes and rewards indicators of quality as identified by research.
- Connect the Quality Improvement System to the professional development system and other supports.

End Notes:

ⁱT. Harms, R.M. Clifford, & D. Cryer (1998). *Early childhood Environment Rating Scale – Revised*. NY: Teachers' College Press.

ⁱⁱT. Harms, R.M. Clifford, & D. Cryer (1998). *Infant/Toddler Environment Rating Scale – Revised*. NY: Teachers' College Press.

ⁱⁱⁱT. Harms & R.M. Clifford (1989). *Family Day Care Rating Scale*. NY: Teachers' College Press.

^{iv}J. Collins & T. Dry (2004). "National Overview of Tiered Quality Strategies: A Preliminary Analysis." Washington, DC: NCCIC presentation at State Child Care Administrators' Meeting.

^vL. Stoney (2004). "Financing Quality Rating Systems: Lessons Learned." Presentation to United Way of America, Success by 6®.

^{vi}Contact Tennessee Department of Human Services
www.tnstarquality.org

^{vii}Contact North Carolina Division of Child Development
www.ncchildcare.net

Additional Resources:

<http://nccic.org/poptopics/index.html#tiered>

www.qualistar.org