



LB946 | Enrollment-based child care subsidy reimbursements

Policy Brief | 2024

□ Key Points

- ▶ Currently, Nebraska reimburses child care providers for serving subsidy-eligible children based on their attendance in the program.
- ▶ Although reimbursement protocols allow providers to charge for up to five absences per child per month, the actual attendance of children often fluctuates widely, creating financial uncertainties for providers and discouraging them to offer subsidized care to qualifying families.
- ▶ LB946 would require a regulatory change to allow providers serving subsidy-eligible children to bill the state based on children's enrollment in their programs, rather than attendance.

Access to consistently reliable, subsidized child care is a crucial support for many hardworking Nebraska families.

But our current reimbursement protocols make it difficult for child care providers to participate in the subsidy and still run sustainable programs.

LB946 would give providers more reliable, stable funding streams so they can deliver child care services to families in greatest need.

■ Background

Many Nebraska child care providers elect to deliver services to families who are eligible for the state child care subsidy based on their household income. Although the dollars for subsidized care come from a combination of state and federal funds, Nebraska—like other states—largely determines its own protocols for how providers are compensated.

Historically, Nebraska has reimbursed child care providers only for the number of days (or hours) a subsidy-eligible child is actually in attendance at their program. However, children's attendance often varies widely from week to week due to unexpected changes in family routines or circumstances, illness, severe weather events and other factors. These fluctuations can have significant implications for a provider's anticipated revenues and, as a result, their program's sustainability. This was especially evident during the pandemic, which severely disrupted child care program attendance and the financial stability of providers statewide.

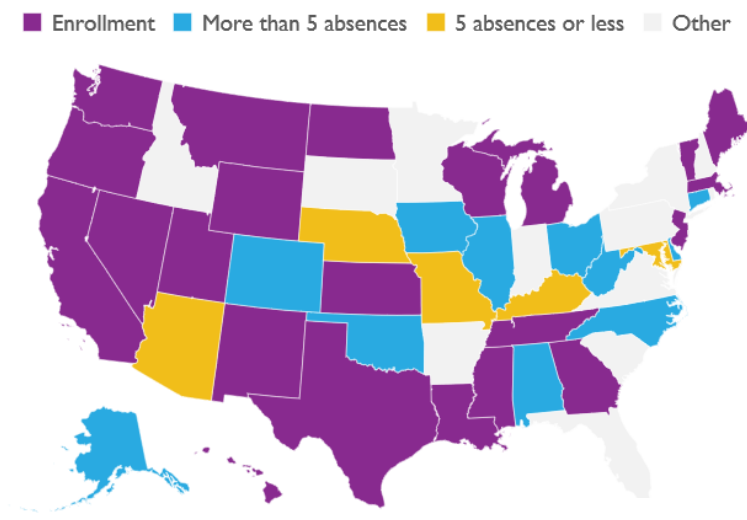
In 2020, during the height of the pandemic, gubernatorial Executive Order 20-18 temporarily changed Nebraska's reimbursement protocols so providers could receive subsidy payments based on the enrollment of eligible children in their programs, rather than their actual attendance. EO 20-18 remained in effect until July 2021, during which it was instrumental in stabilizing child care programs serving families through the subsidy.

In September 2020, Nebraska also made regulatory changes intended to mitigate the impact on providers when EO 20-18 expired. These changes specified that providers could claim reimbursements for up to five absences per month per subsidy-eligible child. However, because it is not uncommon for children exceed five monthly absences, providers often lose anticipated revenues through no fault of their own. The financial uncertainties associated with attendance-based protocols can be a powerful disincentive for providers to serve subsidy-eligible children. In turn, this threatens to reduce affordable child care options for working families with the greatest need.

□ About LB946

LB946 builds upon earlier legislative efforts to improve the financial stability of child care providers by requiring the Nebraska Department of Health and Human Services to amend the current CCDF State Plan. This amendment would replace the current protocol for reimbursing child care providers based on attendance of subsidy-eligible children with a new protocol based on children's enrollment.

Since the end of the pandemic, 22 states have permanently adopted enrollment-based billing for subsidized child care. Nebraska is among a handful of states using an attendance-based system with a cap on billable absences of five days or fewer per month.¹



■ Benefits of enrollment-based reimbursements

Switching from attendance- to enrollment-based reimbursements creates more predictable and stable funding streams for providers who participate in the subsidy. In turn, this can produce a broad array of downstream benefits for child care programs as well as the families they serve:

- ▶ **Workforce development:** Improving the financial security of child care programs makes it easier to attract, anchor and develop skilled talent in our state's pool of early childhood professionals, which plays a pivotal role in facilitating workforce participation in other sectors of business and industry.
- ▶ **Improved program capacity:** Stable revenue streams can strengthen a provider's leverage when applying for grants and loans to cover the expense of expanding their facilities to serve more children.
- ▶ **Consistent support for families:** More sustainable programs mean less uncertainty for working parents who depend on reliable access to safe, developmentally positive child care. It also means less uncertainty for employers who depend on a reliable, focused and productive workforce.
- ▶ **Better outcomes for children:** Continuity and quality in early care professionals and environments are critical to children's cognitive, social and physical development. This is particularly true for subsidy-eligible children, since low socioeconomic status is often associated with risk factors known to compromise early development.

References

¹ Administration for Children & Families. (2023). Approved CCDF Plans (FY 2022-2024). U.S. Department of Health & Human Services. <https://www.acf.hhs.gov/occ/form/approved-ccdf-plans-fy-2022-2024>

