

Tiering's Effect on CACFP Sponsors

Family child care homes can participate in the CACFP only if they are sponsored by a public or private nonprofit organization that has entered into an agreement with a State agency to administer the program at the local level. Sponsors are responsible for enrolling homes into the program, training the care providers, monitoring compliance with program requirements, receiving the homes' CACFP reimbursement claims, and distributing the reimbursements.

The PRWORA explicitly gave sponsors three new responsibilities. They must now:

- Classify all participating child care homes as Tier 1 or Tier 2 homes. This classification may be based on the low-income status of the school attendance area or census block group in which the home is located, or on the provider's own low-income status. Most homes' tier classification must be reviewed every 1 to 3 years.
- Upon the request of Tier 2 homes, determine the eligibility of individual children for the higher reimbursement level. This involves obtaining information about the child's household income or participation in programs that confer categorical CACFP eligibility (such as the Food Stamp Program or Temporary Assistance to Needy Families). Children's eligibility must be reviewed annually.
- In filing claims for meal reimbursements for Tier 2 homes, indicate the number of meals to be reimbursed at the lower rates and the number at the higher rates.

In addition to the entirely new responsibilities, sponsors had to integrate issues related to tiering into their ongoing responsibilities for training and monitoring providers. Further, because the lower Tier 2 reimbursement rates constitute a lesser incentive for some providers to participate in the CACFP, sponsors might find themselves losing homes or having to intensify their recruitment of homes.

The analyses reported below show that tiering has not significantly reduced the number of sponsors participating in the CACFP, but that participating sponsors perceive that tiering and its related requirements have made their role more difficult. They report that their total staff hours for CACFP activities have increased, they rank the new tasks added by tiering as among the most burdensome of their responsibilities, and they say they have had to increase their efforts for training, monitoring, and outreach. Meanwhile, most sponsors have experienced a decline in the number of homes they sponsor.

The analyses are based principally on a survey of a nationally representative sample of 268 sponsors of CACFP family child care homes, conducted in the spring and summer of 1999. The analysis is reported in Bernstein and Hamilton, E-FAN-02-003. In addition, nationwide data on the numbers of participating sponsors and homes come from CACFP administrative systems maintained by FNS, described in Hamilton et al., E-FAN-02-002.

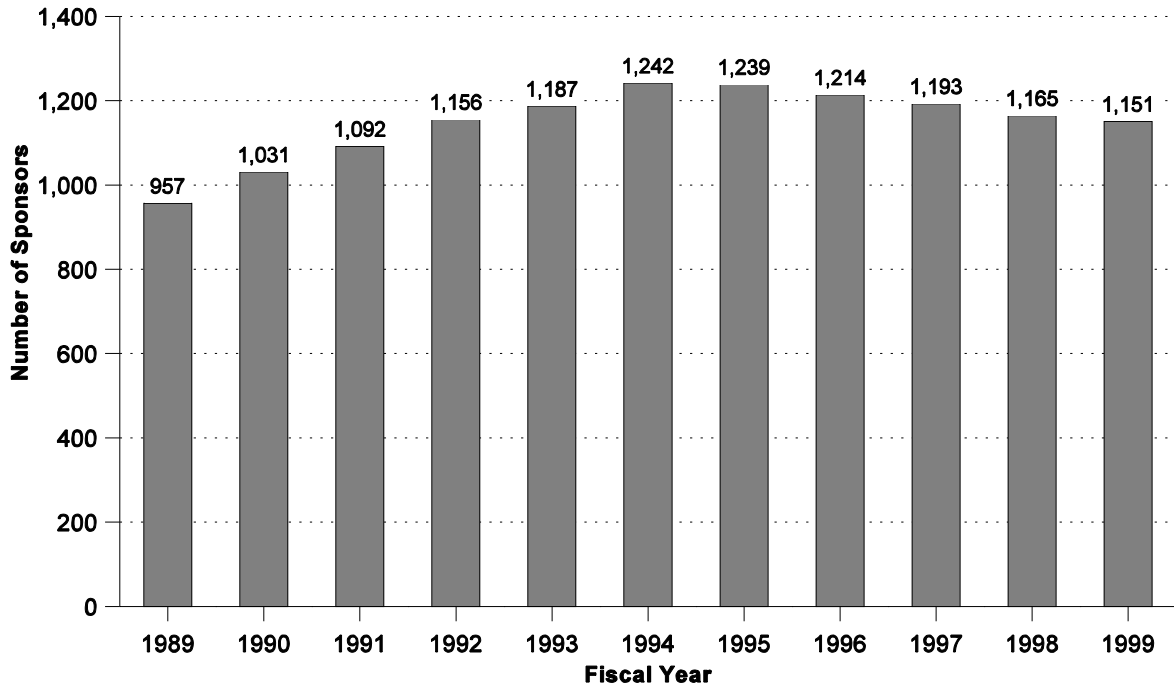
Number and Size of Participating Sponsors

National data do not indicate that tiering has led sponsors to abandon the CACFP in substantial numbers. As shown in Exhibit 16, the number of participating sponsors declined from 1,193 in 1997 to 1,151 in 1999. But this 3.6-percent reduction appears to be the continuation of a trend. It is about the same as the previous 2-year period (1995-97), which saw a decrease of 3.7 percent. The decline in the number of sponsors began not only before the legislative changes were implemented in 1997, but also before the legislation was formulated (Hamilton et al., E-FAN-02-002).

The average number of homes per sponsor grew during most of the past decade, but declined slightly after 1996 as the total number of CACFP homes shrank. The average sponsor in fiscal year 1999 had 152 enrolled homes, down 6 percent from the peak of 161 homes in 1996. From 1989 to 1996, the average had climbed steadily from 121 to 161 homes.

The experience of surveyed sponsors reflects the pattern in the national data. The median sponsor saw an 8-percent reduction in the number of homes it sponsored between January 1997 and January

Exhibit 16
Number of Sponsors of CACFP Family Child Care Homes



Source: CACFP administrative data.

1998.³² This was the net result of the departure of 32 percent of the homes and a new home enrollment rate of 25 percent.³³ Sponsors with substantial numbers of Tier 2 homes were hardest hit. Among those sponsors with at least one-third of their homes classified as Tier 2, the median sponsor had a net loss of 14 percent of its homes between 1997 and 1998.³⁴

Administrative Effort

Despite the general reduction in number of homes served, 72 percent of the surveyed sponsors said that the number of staff hours their organization devoted to CACFP activities had increased since 1997. Of the remaining sponsors, 23 percent reported no change in staff hours and just 5 percent saw a decrease.

Multiple factors contribute to the reported increase in administrative effort. Asked why staff hours had increased, 42 percent of the sponsors said that one reason was increased services they offer to providers, 36 percent mentioned providing more training, and 29 percent cited increased monitoring. Apart from their responsibilities for enrolled homes, 19 percent of the sponsors reporting increased staff time said that more outreach to recruit low-income providers was a factor. And as might be expected, 91 percent said that their administrative responsibilities in general had increased.

Sponsors viewed their new tiering-related responsibilities as particularly burdensome. The survey asked them to rate each of 10 activities on a scale from 1 (not at all burdensome) to 4 (very burdensome). The three activities introduced by tiering—certifying provider income, determining the income eligibility of children, and assigning tier status based on area data—ranked at or near the top of the burden list (Exhibit 17). This subjective ranking cannot be taken to mean that a highly ranked activity is necessarily more costly or time-consuming than others, but it does indicate a high level of sponsor sensitivity regarding their newly added responsibilities.

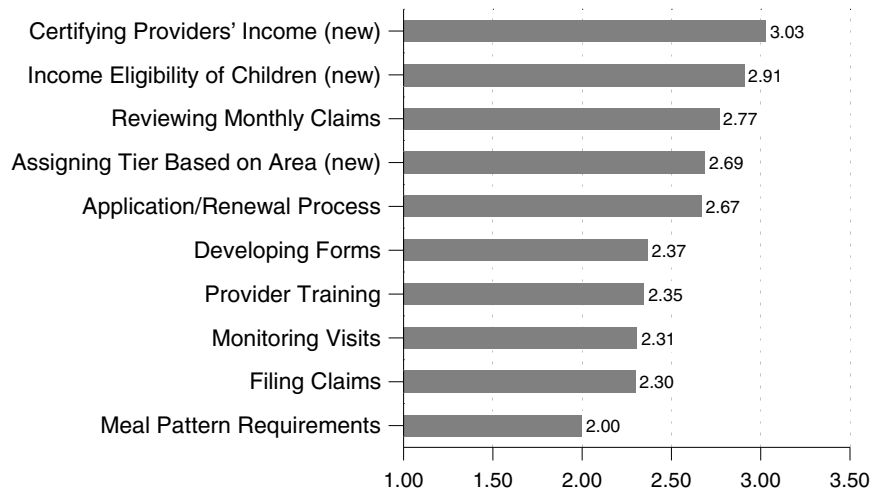
Although the new regulations related to tiering did not require sponsors to conduct additional training or monitoring of providers, sponsors tended to report that they had increased effort in these areas. For individual training and for monitoring, more than half of the sponsors said that they had increased the frequency of sessions, the duration, or both (see Exhibit 18). Individual training received particular emphasis, with 62 percent of sponsors reporting a net increase in activity.

³² Surveyed sponsors provided lists of the number of participating homes (i.e., those receiving CACFP reimbursement) in January 1997 and January 1998. These figures are based on comparing the two lists for each sponsor.

³³ Because the reported figures are medians, the net loss is not exactly equal to the difference between the exit rate and the new enrollment rate.

³⁴ Proportion of Tier 2 providers is measured at the time of the survey, in 1999.

Exhibit 17
Burden Scores for Sponsors' CACFP Activities
(Mean Rating on 1-4 Scale)



Source: Sponsor survey, 1999.

Exhibit 18
Shares of Sponsors Reporting Changes in Training and Monitoring Efforts from 1997 to 1999

Change	Group Training	Individual Training	Monitoring
Increase in effort	43.7%	62.1%	56.9%
More and longer sessions	17.3	35.9	18.2
Longer sessions, no change in frequency	8.6	17.5	28.2
More sessions, no change in duration	17.8	8.7	10.5
No change in frequency or duration	44.4	29.7	31.2
Increase in either frequency or duration, decrease in the other	1.3	3.5	2.6
Decrease in frequency and/or duration with no increase	10.6	4.6	9.3
Unweighted sample	265	241	267

Source: Sponsor survey, 1999.

Sponsors gave two main reasons for increasing their training and monitoring efforts: to explain the details of tiering and to offer greater support or services to the providers. Sponsors who lengthened their training or monitoring sessions most often cited the need to explain tiering. Those who increased the number of sessions, or who increased both frequency and duration, tended to emphasize additional services. Increased services—such as assistance with licensing or CACFP procedures, or parent referrals—apparently formed a part of many sponsors’ strategies for recruiting and retaining providers.

Common sense as well as the sponsor survey responses indicate that the new requirements and the added complexities of tiering would increase the sponsor’s average cost of handling a CACFP home. Any cost increase might intensify the economic pressure on sponsors. No data currently exist, however, on the dollar operating costs of the various sponsor activities. Thus, it is impossible to determine whether tiering simply reduced the sponsors’ average operating margin or placed them in a situation where costs exceed administrative reimbursements.

Recruiting Providers

With the reduced participation incentive for Tier 2 providers and the decline in CACFP homes, many sponsors stepped up their recruitment efforts. Asked whether the focus of their operations had changed since 1997, most sponsors (58 percent) answered in the affirmative. Of those, 80 percent said they had increased recruitment activities. Their reasons for stepping up recruitment included the increased difficulty of attracting new homes (58 percent), the need to retain already-enrolled homes (41 percent), a desire to find more Tier 1 homes (36 percent), and increased competition from other sponsors (29 percent). Typical strategies for intensified recruitment included additional outreach techniques such as newspaper advertisements, offering new services, and a greater focus on low-income neighborhoods.

Perhaps surprisingly, fewer than half (42 percent) of sponsors report targeting outreach toward providers serving low-income families. Tiering offers a stronger participation incentive for providers potentially qualifying for Tier 1 than for Tier 2 reimbursement, and USDA makes special outreach and expansion funds available to pay for the administrative expense of recruiting homes in low-income or rural areas. Only 10 percent of sponsors, mainly those sponsoring relatively large numbers of homes, reported taking advantage of the outreach and expansion funds.