



Date: January 21, 2021

To: Senator Jim Abeler, Chair, Human Services Reform Finance and Policy Committee
Representative Jennifer Schultz, Chair, House Human Services Finance and Policy Committee
Senator John Hoffman, Minority Lead, Human Services Reform Finance and Policy Committee
Representative Tony Albright, Minority Lead House Human Services Finance and Policy Committee

From: Commissioner Jodi Harpstead

Topic Update: Child Care Assistance Program (CCAP) Provider Attendance Records and CCAP Registration Requirements

Background

In 2019, the Department of Human Services received funding for the Children and Family Services Division to plan for improvements to CCAP provider registration and oversight. This work resulted in staff conducting research, outlining possible options and engaging with internal stakeholders and the community about Child Care Assistance Program provider registration and record-keeping options. This report informs options for consideration, in alignment with the commitment made in 2019 as follows: “The department will report back to the Legislature in early 2021 with findings, which will inform possible statute changes and funding requests in the 2021 session to implement changes.” <https://mn.gov/mmb-stat/documents/budget/2020-21-biennial-budget-books/governors-revised-march/human-services.pdf>, page 174.

This memo describes the research, stakeholder engagement efforts, and options identified for an electronic attendance requirement and centralized provider registration and renewal for CCAP providers. Changes include necessary statutory changes and financial investments. An estimated four-year cost for these changes is \$18.7-\$20.9 million. See Appendix A for breakdown of cost estimates. This cost estimate includes:

- Phased hiring of staff at DHS to operationalize a new system and streamline provider registrations
- Contract with a vendor to provide and support an electronic attendance system
- Required changes to existing systems
- Necessary tablets for all CCAP providers

CCAP Provider Registration and Renewal

Currently, CCAP providers register and renew with the county or tribe (referred to as “CCAP agencies”) where a family resides. As a result, 35% of CCAP providers register with multiple agencies, a redundant and burdensome requirement for providers. Centralizing this procedure through the Department of Human Services (referred to as “Department”) could streamline this process if backed by technology and infrastructure, benefiting providers and CCAP agencies. Centralizing this process for all CCAP providers would require an estimated 2.2 million dollars over a four-year period (see Appendix A for more detail).

Centralized provider registration and renewal improves consistency and oversight during the CCAP registration and renewal process, gives providers one point of contact about their registration with CCAP, and streamlines the ability of the department to engage with providers. Since multiple CCAP agencies register providers, there are multiple points of contact at multiple CCAP agencies with responsibility for provider data, communicating with providers, and taking actions against providers. If the Department registers providers, this centralizes provider data, allows for better review and tracking of registration materials, and gives providers a single point of contact with one agency related to their registration.

When the Department takes an action against a provider, such as terminating the registration (which CCAP agencies currently do), the Department would take the action directly instead of coordinating with the multiple agencies. Currently, actions such as the termination of a provider's registration must involve all registered CCAP agencies. With centralized registration, coordinating this process with multiple CCAP agencies would no longer be required, allowing the Department to take immediate action.

Establishing direct contact between the Department and providers creates efficiency and allows for effective implementation of other major changes that affect CCAP providers, such as additional provider registration controls, and electronic attendance record keeping requirement. If an electronic system for attendance records becomes a future requirement or option, the Department will seek resources to first centralize registration, since there would be a need for one entity (the Department) to manage enrollment in any new system.

Stakeholder Feedback

CCAP agencies (counties, tribes and contractors) and child care providers support centralized CCAP registration and renewal. A November 2018 provider survey found that 95% of CCAP providers support DHS registering and renewing providers. The Department interviewed provider registration workers and supervisors at eight counties who were all supportive. The Minnesota Association of County Social Service Administrators (MACSSA) also supports centralized provider registration. See Attachment C for further information about the survey.

Electronic Attendance Record Keeping Systems

In December 2018, the Department began research about available systems. By February 2019, 13 vendors responded to the Request for Information, titled "Verifying and Authenticating the Attendance of Children in Child Care Settings." In December of 2019 and January of 2020, the Department invited five of these vendors to demonstrate their electronic attendance solution. Three vendors had child care subsidy specific products and two had products used in health care (Electronic Visit Verification) that could be adapted for child care subsidy needs.

As of summer 2020, at least 12 states require providers to use an electronic record keeping system for families using child care subsidy. In addition to documenting attendance, there are options for these systems to verify the identity of the person completing the attendance record (the authorized person). See Appendix B for types of systems and methods of identity verification.

Eleven of the twelve states requiring electronic attendance systems contracted this service using one of two vendors. The Department worked with the National Center for Subsidy Innovation and Accountability to engage three states: Ohio, Louisiana, and Washington to learn about their experiences, and the specific requirements

sought by their states. Vendors customize their electronic attendance products based on state needs and requirements. Commonly, systems require use of a tablet at a child care provider's location and/or an authorized person's smartphone.

If a system is procured, the Department could regularly access the attendance data, which would be stored with the vendor. The Office of Inspector General's (OIG) Financial Fraud and Abuse Investigations would be the primary users of this data, although data would be available to local agencies that administer CCAP. OIG CCAP Investigations staff are charged with investigating alleged or suspected financial misconduct by providers and errors related to payments issued by the child care assistance program. The OIG staff currently collect provider-specific paper and/or electronic records in order to establish whether attendance record keeping requirements were met. A standardized electronic attendance system would:

- Ensure attendance records are immediately and consistently available for all children on CCAP
- Eliminate time spent obtaining and manually reviewing paper attendance records for program integrity purposes, and
- Provide valuable data and reports in support of a data driven investigation process.

Some child care providers already track attendance electronically using commercially available systems. These systems are known as Child Care Management Systems (CCMS) and often have functionality beyond attendance tracking such as tuition collection, classroom management, parent communication tools, photo sharing, and other tools. One vendor estimated between 30-40% of child care centers nationally use such systems. A survey conducted by the Department indicates that approximately half of the centers and certified centers that responded to the survey use a CCMS. Appendix C shows the survey and results.

Stakeholder Feedback

The Department consulted with numerous stakeholders from September 2019-August 2020 and received notable feedback from 1620 providers via a survey in November of 2019 and over the course of six virtual meetings from May-August 2020. Child care providers (including child care centers, certified centers, and family childcare), child care advocates, and families were part of those meetings. Some stakeholders expressed serious concerns with electronic attendance systems and recommended that the Department should not require providers to use these systems, or at least not require all providers to use a system that is can be perceived as burdensome and invasive. Alternately, some providers voiced support for an electronic means to collect and submit records. See Appendix D for a summary of stakeholder concerns.

Considerations for a system

Based on this research and stakeholder engagement, several factors should be considered with regard to implementing an electronic attendance requirement for CCAP providers. These included whether the system would:

- Allow providers who already use Child Care Management Systems to continue doing so by purchasing a system that allows an interface with existing systems. This causes the least disruption for families and businesses, and does not single out CCAP families while still providing attendance data to Minnesota.
- Use methods other than a biometric to verify the identity of the authorized person completing the attendance records. Biometrics are the most expensive way to verify identity and are controversial. Of the ways to identify an authorized person's identity (see Appendix B), stakeholders were most

concerned with the biometric, a finger scan. One state researched was not able to implement their biometric attendance system because of community pushback, at a great expensive to the state.

- Consider requiring use of this system for only child care centers, and consider other provider types to be phased in. Some providers do not have reliable internet and phone options are disruptive to families and businesses. Starting with larger child care centers will allow for an assessment of costs and other possible barriers and impacts of using any chosen system.
- Pay for all cost related to this requirement, including the tablets, so that the financial burden for child care providers does not further limit access to the child care market for families who need child care assistance, and to avoid another barrier that would dissuade providers from serving families and children who get CCAP.
- Establish centralized provider registration and renewal before an electronic attendance requirement. This allows one entity (the department) to oversee provider requirement and solve all issues that arise. Centralizing this function also results in department staff to act quickly when registrations close, rather than the multi-agency and cross department efforts that occur now when a provider is disqualified.

Considerations for future work

Centralizing registration and renewing CCAP providers requires significant changes to the electronic child care case management and payment system, MEC² and additional staff. The Department taking on this function allows local agencies to redirect current limited resources to other program areas to help meet needs of families. Without funding, the Department may explore the pros and cons of conducting a small pilot.

Program integrity remains a priority with existing authorities and resources for the oversight of provider compliance with CCAP records requirements. The Office of Inspector General continues to refine their program integrity focus by:

- Shifting from a primary focus on criminal to administrative investigations and expanding the use of administrative sanctions
- Enhanced use of data to better identify providers at highest risk for fraud
- The ability to stop payments to non-compliant providers quickly
- Creating an Early & Often collaboration that includes quarterly licensing visits during a child care center's first year of operation in order to provide technical assistance and monitoring for compliance with licensing rules and statutes and attendance record keeping requirements.
- Establishing an investigative process and outcomes that are guided by a cross-functional team
- Enhanced use of administrative sanctions, including use of overpayments, administrative disqualifications, and stop payments

Additional Program Controls Planning

In 2021, the department continues to engage with the community, including all provider types. This will support continuous improvement efforts and help support compliance with an emphasis on education and training, a goal all stakeholders agree is worthy of attention and builds on existing resources.

Appendix A: Costs for Provider Registration and Electronic Attendance

Registered CCAP providers, by provider type:

State fiscal year	Licensed centers	Certified centers	Licensed family	Legal non-licensed	All providers
2020	1,174	582	2,101	185	4,042
2019	1,219	606	2,362	303	4,490

DHS estimated costs for this proposal based on the number of registered CCAP providers from SFY 2019.

Provider Registration Cost:

Year 1	Year 2	Year 3	Year 4
Staff = 1 FTE, \$100,000	Staff = 3 FTE, \$300,000	Staff = 6 FTE, \$600,000	Staff = Staff = 6 FTE, \$600,000
Systems = \$458,850	Systems = \$0	Systems = \$91,770	Systems = \$91,770
Other = \$0	Other = \$16,000	Other = \$11,000	Other = \$11,000

Provider registration cost total: \$2,280,390

Electronic Attendance Cost:

Year 1	Year 2	Year 3	Year 4
Staff = 2.5 FTE, \$250,000	Staff = 3 FTE, \$300,000	Staff = 3 FTE, \$300,000	Staff = 2 FTE, \$200,000
Systems = \$8,000,000	Systems = \$2,500,000	Systems = \$2,500,000	Systems = \$2,500,000
Other = 0	Other = \$2,000,000 (Tablet purchase, 1 per provider)	Other = \$75,000	Other = \$75,000

Electronic attendance cost total: \$18,700,000

Combined Cost:

Year 1	Year 2	Year 3	Year 4
Staff = \$350,000	Staff = \$600,000	Staff = \$900,000	Staff = \$800,000
Systems = \$8,458,850	Systems = \$2,500,000	Systems = \$2,591,770	Systems = \$2,591,770
Other = 0	Other = \$2,016,000	Other = \$86,000	Other = \$86,000

Combined cost total: \$20,980,390

Appendix B: Options for Electronic Attendance Systems

These are options offered by vendors for authorized people to complete the attendance record at the child care location:

- **Swipe card:** authorized persons use a physical card to swipe when picking up and dropping off children. Vendors recommended against swipe cards.
- **PIN (personal identification number entry):** authorized persons enter their unique PIN when picking up and dropping off children.
- **Biometric** of the authorized persons during each drop off and pick up. Only one state currently uses a biometric. The biometric is a finger scan.
- **QR (Quick Response) code:** authorized persons use their smartphone to scan a QR code at the provider's location. This ensures the authorized person is at the provider's location.
- **Photo capture** of the authorized persons during each drop off and pick up. Facial recognition technology is not currently available. Photos are stored on the vendor's database.
- **Location data:** If authorized persons use their smartphone to complete the attendance record, states can require that their location data is collected.

Appendix C: Provider Survey

DHS first obtained stakeholder feedback with a survey sent to child care providers using DHS LISTSERVs from Child Care Licensing and the Child Care Assistance Program in October and November of 2019. DHS received 1620 responses (1040 from licensed family, 493 from licensed center, 78 from certified center, 9 from legal non-licensed).

Q1. What type of child care program do you operate?

- 78 Certified license-exempt center
- 9 Legal non-licensed (family, friend, or neighbor)
- 1038 Minnesota licensed family child care
- 480 Minnesota licensed center
- 8 Out-of-state licensed center
- 4 Out-of-state licensed family child care
- 0 Tribally licensed child care center
- 3 Tribally licensed family child care

Q2. If applicable, what is your program's licensed capacity?

(Open-ended question-responses varied)

Q3. Are you registered with a county or tribal agency to receive Child Care Assistance Program payments for eligible children?

- 947 Yes
- 588 No
- 85 Unsure

Q3a. About what percentage of children enrolled in your program receive payment assistance through the Child Care Assistance Program?

- 229 None
- 523 Between 1 - 25%
- 94 Between 26 - 50%
- 46 Between 51 - 75%
- 55 Between 76 - 100%

Q3b. How many county and/or tribal agencies are you registered with to receive Child Care Assistance Program payments?

- 470 One
- 221 Two
- 117 Three
- 57 Four
- 82 Five or more

Q3c. How efficient do you believe the current Child Care Assistance Program provider registration process is?

- 125 Not efficient
- 362 Somewhat efficient
- 332 Efficient
- 101 Very efficient
- 27 Highly efficient

Q3d. How would you feel about an option for online provider registration for the Child Care Assistance Program?

- 44 Do not support
- 110 Somewhat support
- 249 Support

184 Very much support
360 Strongly support

Q3e. How would you feel about provider registration completed centrally through the Minnesota Department of Human Services? This would eliminate the need to register with different county and tribal agencies.

50 Do not support
83 Somewhat support
247 Support
145 Very much support
422 Strongly support

Q3f. Do you have additional comments or suggestions on the Child Care Assistance Program provider registration process?

284 open-ended responses

Q4. How do you collect child care attendance information?

1064 Paper-based system
312 Electronic system
244 Electronic and paper-based system

Q4a. If electronic, which attendance system does your program use?

64 Brightwheel
0 ChildWatch
27 Daily Connect
3 Daycare Works
7 EZCare
8 HiMama
1 Kangarootime
1 Oncare
0 Pike13
149 Procure Software
3 Sandbox Childcare
5 SmartCare
7 Tadpoles
281 Other

Please specify if Other: (285 responses)

Q4b. What is your monthly cost for using the above selected system?

304 Under \$50 per month
182 Between \$50 - \$150 per month
70 Over \$151 per month

Please specify amount if over \$151 per month: 73 responses

Q4c. Did you need to purchase additional equipment for implementing your electronic system? If so, please describe the equipment and approximate cost.

425 responses

Q4d. Are you willing to share more information about the electronic system at your site with staff from the Minnesota Department of Human Services? Please select all that apply. If yes, you are asked to provide your contact information and license number so staff may reach out to your site directly.

284 No
121 Yes, in person (please enter your email and license number in the text box below)
218 Yes, over email (please enter your email and license number in the text box below)
155 Yes, over the phone (please enter your phone number and license number in the text box below)

Please enter your phone number and license number: 248 responses

Q5. Do parents or caregivers sign children in and out?

837 Yes, for all children

241 Yes, but only for children on the Child Care Assistance Program

542 No

Q5a. How do parents or caregivers record the time they picked up and dropped off their child/ren?

745 Paper-based system

333 Electronic system

Q6. Does your location have a reliable Internet connection?

1201 Yes, with WiFi

243 Yes, high speed

95 Yes, low speed

81 No

Q6a. Do you or would you be willing to allow families to access your Wifi connection?

512 Yes

689 No

Q7. What concerns do you have about electronic attendance systems? Please check all that apply.

382 No concerns

749 Technology concerns

663 Cost concerns

573 Implementation concerns

643 Maintenance concerns

423 Concerns from parents and caregivers

723 Data privacy concerns

218 Other (please specify):

Please tell us about your concerns using the box below: 606 responses

Q8. Do you have additional comments about electronic attendance systems?

424 responses

Appendix D: Stakeholder Feedback Summary

DHS also conducted six feedback sessions with CCAP child care providers and advocates from June through August 2020. After a reviewing electronic attendance systems and options, stakeholders discussed their reactions. Below are the most common themes from these sessions and comments from these discussions and the open-ended responses from the provider survey:

- *Identity verification methods are a major invasion of privacy:* The measures that used to verify the identity of those who are dropping off and picking up children are criminalizing and burdensome. Some asked, “Would a private pay family ever stand for this? If not, why are we considering this for families using child care assistance?”
- *Requiring a separate attendance system for just CCAP families is inequitable:* Even if an identity verification method is not used, it is not equitable to only require use of this system for families on child care assistance.
- *Racial equity:* In 2019, 68% of all children served by the CCAP were children of color. Of all children, 54% are African-American. Therefore, this system would disproportionately affect African-American families. To require this separate system feels like “policing” these families.
- *Data privacy:* Since use of this system would only be required for families on CCAP, families use of Child Care Assistance will be obvious to other families
- *Requiring a state selected electronic attendance system would be duplicative for many providers:* According to the provider survey, of providers that require families/caregiver to sign children in/out, 14% of family providers do so electronically, 48% of centers, and 50% of certified centers. The systems already used by providers often have functionality beyond attendance, which means many providers may have to maintain two different systems.
- *This system is too expensive:* Especially in the context of the low reimbursement rates to CCAP providers (maximum rates)
- *Families may lose some authorized picks up who are currently willing to help with drop off and pick up:* If current authorized picks up are not comfortable with the identify verification measure selected by Minnesota, they may no longer agree help with pick up and drop of, burdening CCAP parents and guardians.
- *Technology, maintenance, and implementation of the system:* Some providers are not comfortable with technology and some providers believe paper records are safer and align with their program values.
- *This proposal does not help families or providers, or has little value compared to the potential benefit*
- *Some providers and families may choose to end their participation in the CCAP*