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# Setting Rates: Why, when and how

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# Agenda

- Why is this issue important? Why now?
- Strategies for rate setting
- Next Steps



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# The Moment

- OCDEL increased CCW base rates effective January 1, 2022
- You will NOT be able to fully benefit from the rate increase if your published private tuition fees are LOWER than the new base rate
- Increase your private tuition now to benefit from the CCW rate increase



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# Advocacy

- CCDF provides flexibility to states around CCW rate setting
- PA uses market rates, but could use true cost of care to set CCW payment rates
- Providers need to calculate true cost of care and show legislators and policy makers the differential between actual costs and CCW reimbursement rates
- Find levers - America's Rescue Plan, NAFCC, PACCA, parents, etc.



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# Private Tuition

- Establish what parents pay
- Establish the maximum that CCW will pay
  - CCW will not pay a provider a higher (base) rate than private pay tuition
  - If a private pay family cannot pay the full tuition and does not qualify for public funding, the provider can accept less tuition ONLY IF the provider has a scholarship fund from which the remaining tuition is drawn (from the balance sheet to the income statement)



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# Setting New Tuition

- Increase current tuition
  - Across the board percentage
  - Varying percentages based on age bands
  - Special considerations for part-time tuition
- Calculate revenue based on most likely enrollment scenarios and ensure that tuition will cover your costs!!!!!!!!



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# Increase Current Tuition

- When did you last increase tuition?
- How balance that infant-toddler care is most expensive already but typically parents are at earliest stages of their earning power?
- How can your tuition compete with free PHLpreK?
- Consider inflation as a percentage increase?



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# Part-Time Tuition

Establish policies that offer flexibility to families and financial stability for your program

- Part-day?
- Part-week?
- Minimum levels of enrollment?
- Only for limited age groups?

Add a “convenience fee” to part-time rates to reflect additional risk and work required

- Multiple sets of paperwork
- Multiple parent/teacher conferences





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# Example: Setting Part-Time Tuition

## Family that wants to enroll their infant for 3 days per week:

- Weekly infant rate is \$234.30
- Divide by 5 to get the daily infant rate of \$46.86
- Multiply by three or \$140.58
- Multiply by 130% to total \$182.75 as the infant 3-day per week weekly rate

## Family that wants two days of infant care:

- Multiply the \$46.86 daily rate by two
- Multiply by 150% to calculate \$140.58 as the infant rate for two days of care per week.

## Matching part-time schedules for a week:

- \$182.75 for infant attending three times per week
- \$140.58 for infant attending two times per week
- Adding the two together generates \$316.31 per week, or more than the \$234.30 per week for one, full-time infant.



# Enrollment Scenarios

- 2 infants & 3 toddlers
- 1 infant & 4 toddlers
- 1 infant, 3 toddlers & 2 preK
- 5 toddlers & 1 preK
- 4 toddlers & 2 preK
- 3 toddlers & 3 preK
- 2 toddlers & 4 preK
- 1 toddler & 5 preK
- 6 preK

Remember to  
use a vacancy  
factor of  
75% - 85%



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## Calculations

### Data Needed

- Annual expenses
- Average enrollment over the past 18 months – how many children of what age groups were enrolled?
- Average enrollment over the past 18 months – how were enrolled children funded? Private tuition? CCW? PHLpreK?

# Full Time Equivalent Rates

<b># of days child is enrolled</b>	<b>Full Day or Part Day</b>	<b>FTE VALUE</b>
5	Full Day	1
4	Full Day	0.8
3	Full Day	0.6
2	Full Day	0.4
1	Full Day	0.2
5	Part Day	0.5
4	Part Day	0.4
3	Part Day	0.3
2	Part Day	0.2
1	Part Day	0.1

**Full day = 5 or more hours; part day = less than 5 hours per day**



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## Next Steps

- Calculate 52 weeks of revenue based on scenarios
  - Ages of children
  - Funding sources of children
  - Vacancy rate
  - New CCW rates
  - Various possible new tuition rates
- Ensure that anticipated revenue meets anticipated expenses – INCLUDING YOUR COMPENSATION
- Enter new fees into PELICAN



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# Resources

- Children's Village Business PD
- Business TA via PHMC
- PHMC Office Hours with Mary Graham
- [www.sharedsourcepa.org](http://www.sharedsourcepa.org)