REL MID-ATLANTIC Regional Educational Laboratory at Mathematica Policy Research

Refining Delaware Stars for Early Success: Workshop for the Office of Early Learning

Kim Boller's presentation on Connecting Goals to Mechanisms in Using Financial Incentives to Support Quality Improvement

Wednesday, February 6, 2019

9:00 a.m.–4:30 p.m.

Workshop transcript

Kim Boller: We're going to take some time now to talk about this—like kind of bringing things together around quality, reimbursement, incentive awards, and so on. So we're going to take some time to kind of go through some of the things we've already heard about from North Carolina and from Pennsylvania and that you all have shared. Some of it you already know. But again, sort of bring it forward so that we can leave with what a lot of people said—concrete steps. What might you think about next as far as reimbursement and incentives, and how you go ahead and tie that all up in a bow to what we were talking about this morning? How do you think about incentivizing providers, centers, family child care homes, and so on, in a way that gets people going toward quality and going toward children's outcomes? So we're going to do some of the groundwork here right now, and we're also going to think about some of the things that are hard in doing this as well.

So when we think about the idea of how incentives are used, let's go back and remind ourselves it was the idea that, okay, a tiered reimbursement system would drive people, help serve the children who need the services the most. But overall, the whole structure was set up to get people to think about a market-based approach. That if you have a certain number of Stars, you're going to drive people toward that setting, and there will be an inherent drive toward going up in quality. We know some of the states that tried no incentives at all from tier to tier did not get so far. Pretty much everybody now has some kind of incentives for moving up the tiers—or up the rating scales. But that's something to think about.

The original intent was a market-based intent. And one of the things I thought was so interesting about our earlier conversation, and what we had thought about before, was this, again, this idea of lived experiences. Who is getting asked to do what in exchange for what? As far as providers go, as far as a savvy center director would go, what is going to influence her decision to participate, to hang in there, to really think a lot about the quality improvement and who she's serving? How does that go about? How do we think about the kinds of unintended consequences that might flip things on its head in ways that we don't want?

A number of states were in situations where they had a whole bunch of folks come in because the incentives were so high. The tiered reimbursement rates were so high, everyone's like, "I want to do that." And it almost flipped the market. In Oklahoma, the story that they tell is that there was a huge drive toward being part of that tiered reimbursement system, and the population might have gone from like 70 percent children who were not on subsidy to the flip. And then, of course, it's like—is that what we wanted to have happen? Or maybe not. And so on. So it's thinking about, again, who are we asking to do what and for what in exchange as far as incentives go, and those unintended consequences.

So it's no surprise to you that it's really families overall that are providing the largest share of the funding for early care and education. And then it's government and then private. So when we think about that, and we think about this quote from BUILD here, which I really like, "While all of the elements of a QRIS need to be funded, the vast majority of costs will be the ongoing cost to ECE providers of delivering high-quality services." So often it feels to people like an unfunded mandate to be able to get there if they don't feel that that's being compensated. So is it really worth the effort to go from a 2 to a 3? Because I have to bear that cost to some degree as a center director, as a family child care home provider.

The next part is policymakers need to carefully design their rates and finance strategy or the means by which they deliver funding to programs to support costs of improving and maintaining quality. You have brought this up many times now—that it's not just we get there to be high quality for a minute. We really need that sustaining feature. What is going to be that sustaining feature? How does the funding support that or not support that maintenance and expansion of our commitment to quality and moving toward excellence?

One of the things I really liked in the report you did, John, was, like I said before, some of these quotes or the ideas that are here and the views on financial incentives. In community conversations, people were like, “It’s a really important part of what we’re doing here. It’s really important to me. It makes a difference. It has a high impact on the ability to serve low-income children. Tiered reimbursement is doing all of that.” And then the issue of using those incentives for affecting program quality. Providers are like, “Yeah,”—this is a quote from a provider—“Yeah, I think that’s a good idea, and it is making a difference.”

But I also found this last part of what you had put into the report, this idea of “tiered reimbursement does not necessarily always seem intuitive.” If you have the lowest-quality programs, and you’re trying to get them to move up, and you don’t give them as much money, that’s a little head-scratcher. You’re just like—I get the market-based approach. It’s supposed to be causing folks to go up. But if our most at-risk children and most at-risk families are using care at that entry level, then does that really make a lot of sense as far as you give a whole bunch of dollars to folks at the top tier and not so much at the bottom tier? I don’t know what other people think about that, but I thought that was pretty indicative of, I think, a kind of a strain in the conversation around tiered reimbursement.

When we think about what we’re doing with financial incentives and just sort of looking across, it’s really, as I said, to do what? It’s the cost of implementing and it’s the cost of maintaining quality that we’re really focusing on here, and for what kinds of programs. And this goes to some of the differences we were talking about across the states. All programs get something. Is that one of the principles? Programs participating in the QRIS. Programs that participate in QRIS and serve a high proportion of children historically that are underserved or on subsidy and so on. Those are the kinds of choices that we have to make about what’s happening with these funds.

When you think about the role of the Race to the Top—Early Learning Challenge, the question really was, okay, you’ve got to put a lot of neat things in place, and you want to maintain those or do as best you can, but the money’s not there anymore. So what are you going to do in making some of these really hard choices across the priorities, across who you want to serve, and so on? So I think that’s really when you take an equity lens to these questions in harder times. In times when there isn’t as much money, what is it that you shrink down to do, and how does that maintain your core convictions and your core decisions about what quality means to you about this issue of the trade-offs between access and quality that we were talking about before?

When we think about the different types of approaches—I'm going to just sort of buzz through these last two so you'll have these in your notes—the different kinds of approaches folks have used—quality improvement grants, staff supports, and so on—here are the ones that are the most used across a number of states. This comes from Anne Mitchell's report. And so what you see on the left there are the highest-used kinds of incentives: tiered reimbursement, quality awards and bonuses, improvement grants, then we get down to scholarships. As they put over here on this slide, 10 percent are providing no incentives, of those that she looked at, and the licensing and accreditation assistance, compensation support, and startup awards are also pretty low, as far as when you look across a variety of states. So that's pretty much a kind of a distribution as you think about the national picture here and what people are doing.

And I think what I wanted to say the most goes back to—and I'll show you yours. Here is what Delaware was doing. So we have QI grants, tiered reimbursement, the CORE awards, infrastructure fund technology awards, and infrastructure fund capital awards on the right-hand side there. And when we think about this, and sort of bringing it back to the discussion we had this morning, the question is who is going to get these awards, and what do you expect them to do? Within the tiered reimbursement system, within the quality awards that we saw, the question is—if it's like $500 or $1,000 that's going to go to a provider after she's finished X, Y, Z coursework, what does that mean as far as what you think is going to happen to quality? How should that then be tied to what she's doing in the classroom? We don't exactly do that right now. We might give that award and, okay, great, keep your incentive going. But maybe it has to be something like a competency change, right, that you're going to get the award after you have a demonstrated change in your competency according to your TA, according to your coach. What might that look like? How could we build that into the system if that's a way that you're thinking you might want to be going?

So just to go through some of the trade-offs of different financial incentives, this table here talks about quality improvement grants, and the real important part is that first bullet: "There's no evidence that one mechanism works better than another in supporting quality." And what we learned is there are potentially some trade-offs as you're thinking about what could be done or what you might want to consider or what's possible. Again, it might not be possible right now. It might be something you want to do into the future when the situation changes.

So when we think about the quality improvement grants, they really tend to go to the provider in a lump sum. It could be an annual award, an annual grant, or it could be less frequently than that. And basically, you're looking at which rating level it's going toward, QRIS participation, and it really can be targeted on how many children are served. So that's something to think about as well. What's the reach of what you're trying to do to incentivize? Who is it touching? And so on. And then the advantage here is really to think about how this can affect and be used in all types of programs. It isn't something that's necessarily specific to a particular type, and it can help with the quality improvements that the individual programs are trying to do.

But it can really incentivize something we haven't exactly talked about. When Gretchen and Anna and I were talking about this, I thought it was really, really fascinating, the idea that some people will want to go through every single step because then they're going to pick up all those grants. So that's an interesting phenomenon. I wonder how much you've seen it here that you're like, no, I don't want to come in at a 4. I'll start at a 2, and I'll pick up these incentives. Because again, what is a savvy director going to do? She's going to be thinking about how do I supplement my resources?

And again, the real disadvantage is like, are these enough? Is this enough money to make a difference in quality, like we were talking about this morning? Would you see communication improve given X, Y, Z amount of that grant?

And then, again, the same issues, pretty much. A lot of them apply here to the merit awards. And one of the things—we'll just go to the disadvantages, advantages and disadvantages a little bit—is one of the advantages is that it can be really flexible. You can just make your decisions about how those are going to be awarded and really take into account your context and situations and so on. The disadvantage, again, is the sequential moving up. But the other problem is that they're generally not that large. They tend to be sort of small. And again, what can you accomplish with that kind of an award with regard to expecting something in the classroom to change, something at the center to change with a smaller-size award?

And then here we are. The elephant in the room is tiered reimbursement. And I think, generally speaking, the kinds of things that we've been thinking about as advantages is, of course, driving folks to serve low-income children, children who are historically disadvantaged. And the parent choice part, right? So we talked a little bit about contracted slots, which not so many folks are doing, not so many states are doing. But that's been—the argument is oh, we can't do that because it limits parent choice. But it does increase stability in some ways. So we just wanted to raise that issue about the big pluses or selling points for tiered reimbursement.

And then this idea of the disadvantage for the instability issues that we just talked about before. And also this idea that we've been alluding to and talking about all day is that the differentials in those rates, in those amounts, may not be big enough to get you real differences in quality. And that's what we saw when we didn't see that upswing. We don't see it really related to observed quality, generally speaking, and we don't see it related to child outcomes. So how does the differential work to help you incentivize higher quality, like I said, in that active range to get them up to 5s and 6s on an observed quality measure? So the amounts across the levels are really important to think of as well.

This work was funded by the U.S. Department of Education's Institute of Education Sciences (IES) under contract ED-IES-17-C-0006, with REL Mid-Atlantic, administered by Mathematica Policy Research. The content does not necessarily reflect the views or policies of IES or the U.S. Department of Education, nor does mention of trade names, commercial products, or organizations imply endorsement by the U.S. government.