



Clearinghouse Rule 07-046

State of Wisconsin Department of Workforce Development Division of Workforce Solutions

Child Care Enrollment Underutilization

DWD 56

The Wisconsin Department of Workforce Development proposes an order to amend ss. DWD 56.04 (1) (a) 1., 56.04 (2) (a) 1. b., and 56.04 (5) (c); and the repeal and recreation of s. DWD 56.04 (2) (d), relating to child care enrollment underutilization and affecting small businesses.

Analysis Prepared by the Department of Workforce Development

Statutory authority: Sections 49.155 and 227.11 (2) (a), Stats.

Statutes interpreted: Section 49.155, Stats.

Related statutes or rules: Section 48.65, Stats, and Chapters HFS 45, 46, and 55; Section 48.651, Stats., and Chapter DWD 55

Explanation of agency authority. The Department administers the child care subsidy program under s. 49.155, Stats., and reimburses child care providers for services provided pursuant to s. 49.155 (3m), Stats.

Summary of the rule. The current s. DWD 56.04 (2) (d) provides that a child care administrative agency shall authorize payment to licensed group and family day care centers based on authorized units of service except as follows:

- The agency may authorize payment to licensed providers based on units of service used by each child up to the maximum number of authorized units, with the reimbursement rate increased by 10% to account for absent days, if the schedule of child care to be used is expected to vary widely.
- The agency may authorize payment to licensed providers based on units of service used by each child, up to the maximum number of authorized units, if the agency has documented 3 separate occasions where the provider significantly overreported the attendance of a child.

The current methodology for authorizing payment to licensed providers has caused the child care subsidy program to pay for significant amounts of time when care is not actually being provided. This rule attempts to control costs by reducing payments to licensed child care providers for authorized child care services that are significantly underused. The rule will repeal the presumption of enrollment authorization for licensed providers and provides that a local child care administrative agency shall authorize on either an enrollment or attendance basis as follows:

- The agency shall authorize the number of hours needed on an enrollment basis if the need for care is anticipated to be approximately the same number of hours each week.
- The agency shall authorize payment based on the hours of actual attendance by each child if the need for care is anticipated to vary from week to week or if the child has a history of variable attendance.
- The agency may authorize payment on the hours of actual attendance if the agency has documented 3 separate occasions where the provider significantly overreported the attendance of a child.

For any week in which a child whose authorized payments are on an enrollment basis attends less than 50% of the of the authorized hours of care, payment shall be made on the basis of actual hours of attendance used, unless the agency determines that the absence is for a reason approved by the Department, such as short-term illness of the child or death in the family. This policy does not apply to a child with a special needs authorization.

Payment to certified providers is based on a child's attendance and remains unchanged in this rule.

The proposed rule also creates recordkeeping requirements regarding daily attendance. The rule requires a provider to: (1) maintain a current written record of the daily hours of attendance of each child in care, including the actual arrival and departure times for each child; (2) retain the daily attendance records for each child for at least 3 years after the child's last day of attendance; (3) submit daily attendance records to an authorized representative of the Department or child care administrative agency immediately upon request; and (4) submit payment requests that accurately indicate the number of hours of each child's attendance.

A provider may be responsible for an overpayment for failing to maintain, retain, and submit accurate attendance records. If a provider fails to maintain and retain the daily attendance records or submit daily attendance records immediately upon request, the Department's payment to the provider for the child for whom the records are in noncompliance may be an overpayment. If the provider submits incomplete daily attendance records in response to a request, the difference between the Department's payment to the provider and the payment that supported by the daily attendance records that were submitted may be an overpayment. If the provider submits daily attendance records that do not accurately document hours of attendance reported to the Department

in the provider's request for payment, the difference between the amount paid and the amount that would have been paid if the hours were accurately reported under an attendance-based authorization may be an overpayment.

In addition the rule increases the penalties for a provider who submits false or inaccurate attendance reports. The current s. DWD 56.04 (5) (c) allows for the child care administrative agency to refuse to issue new child care authorizations to a provider for a period of time not to exceed 6 months, revoke existing child care authorizations to the provider, or refuse to issue payment to the provider until the violation is corrected. This rule provides additional penalties in the following situations:

- If it is the provider's second documented instance of submitting an inaccurate attendance report or the inaccurate report resulted in or would have resulted in an overpayment of \$1000 or more, the agency may refuse to issue new child care authorizations to a provider for a period of time not to exceed 1 year.
- If it is the provider's third or subsequent documented instance of submitting an inaccurate attendance report or the inaccurate report resulted in or would have resulted in an overpayment of \$5000 or more, the agency may refuse to issue new child care authorizations to a provider for a period of time not to exceed 5 years.

Summary of factual data and analytical methodologies. By paying the hourly rate for actual attendance to child care providers when attendance is under 50% of the authorized level for the child care subsidy program, the Department will avoid paying for significant amounts of time where care is not actually being provided. By comparing the amount currently paid for enrollment authorizations against the amount that would be paid if underutilized authorizations of 50% or less are paid for actual hours of care, it is estimated that the Department will realize \$20,387,000 in annual savings in federal block grant funds.

Summary of related federal regulations. NA

Comparison with rules in adjacent states. Michigan. A provider may only receive payment for a child's hours of attendance, except for absences due to the child's illness, not to exceed 2 consecutive weeks, and state holidays.

Illinois. Payment to licensed and license-exempt child care centers are based on authorized days if the total of days attended for all publicly-funded children at the center location are 80% of the authorized days for the month.

Payment to licensed home providers are based on authorized days if the total of days attended for all children in a family are 80% of the family's authorized days for the month.

Payment to license-exempt home providers are based only on attendance.

Iowa. Payment is based on authorized days with payment allowed for a child not in attendance not to exceed 4 days per calendar month.

Minnesota. Payment is based on authorized days except child care providers may not be reimbursed for more than 25 full-day absent days per child, excluding holidays, in a

fiscal year, or for more than 10 consecutive full-day absent days, unless the child has a documented medical condition that causes more frequent absences.

Effect of rule on small businesses. The rule will affect small businesses but will not have a significant economic impact on a substantial number of small businesses.

Analysis used to determine effect on small businesses. The Legislature and Governor set the funding level for the Wisconsin Shares Child Care Subsidy. In the current fiscal year, that amount is \$343 million, after the addition of \$30 million from the budget adjustment act.

These rules do not affect the amount of funding in the program. All of the allocated funding will be spent as subsidies for child care for the children of working families. We do not anticipate that the proposed rules will in any way change the extent to which these dollars are spent on small businesses.

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Place where comments are to be submitted and deadline for submission. Comments may be submitted to Elaine Pridgen, Office of Legal Counsel, Dept. of Workforce Development, P.O. Box 7946, Madison, WI 53707-7946 or elaine.pridgen@dwd.state.wi.us. The comment deadline is June 21, 2007.

SECTION 1. DWD 56.04 (1) (a) 1. and (2) (a) 1. b. are amended to read:

DWD 56.04 (1) (a) 1. Providers licensed by the department of health and family services under ~~ch.~~ chs. HFS 45, 46, or 55.

DWD 56.04 (2) (a) 1. b. A voucher shall be in writing and shall authorize a parent to obtain child care services stipulated in that voucher from a provider under sub. ~~(3)~~ (1).

SECTION 2. DWD 56.04 (2) (d) is repealed and recreated to read:

DWD 56.04 (2) (d) A child care administrative agency shall authorize payment to a child care provider as follows:

1. If the provider is a licensed group child care center, licensed family child care center, or a program established or contracted for by a school board under s. 120.13 (14), Stats., the agency shall authorize either on an enrollment basis or on an attendance basis as follows:

a. If the need for care is anticipated to be approximately the same number of hours each week, the agency shall authorize payment on enrollment based on the number of hours needed.

b. If the need for care is anticipated to vary from week to week or if the child has a history of variable attendance, the agency shall authorize payment based on the number of hours of actual attendance used by each child, up to the maximum authorized hours.

The hourly rate for attendance-based authorizations shall be 10% higher than the reimbursement rate established under s. DWD 56.06.

c. Notwithstanding subd. 1.a, the agency may authorize payment on the basis of hours of actual attendance, up to the maximum authorized hours, if the provider has 3 or more documented instances of overreporting the attendance of any child.

2. For certified providers, the agency shall authorize payment for hours of attendance used by each child, up to the maximum number of authorized hours, except as provided in par. (h).

3. For any week in which a child whose authorized payments are described in subd. 1.a. attends less than 50% of the authorized hours of care, payment shall be made on the basis of actual hours of attendance used, unless the child care administrative agency determines that the absence is for a reason approved by the department, such as short-term illness of the child or death in the family. This subdivision does not apply to a child with a special need whose care is authorized under s. DWD 56.06 (3) (a).

SECTION 3. DWD 56.04 (2g) is created to read:

DWD 56.04 (2g) PROVIDER RECORDKEEPING. A provider shall do all of the following:

(a) Maintain a current written record of the daily hours of attendance of each child in care, including the actual arrival and departure times for each child.

(b) Retain the daily attendance records for each child for at least 3 years after the child's last day of attendance.

(c) Submit daily attendance records to an authorized representative of the department or child care administrative agency immediately upon request.

(d) Submit payment requests that accurately indicate the number of hours of each child's attendance.

SECTION 4. DWD 56.04 (5) (bm) is created to read:

DWD 56.04 (5) (bm) A provider may be responsible for an overpayment for failing to maintain, retain, and submit accurate attendance records as required under sub. (2g), including any of the following:

1. If a provider fails to maintain and retain the daily attendance records required under sub. (2g) (a) and (b) or submit daily attendance records immediately upon request under sub. (2g) (c), the department's payment to the provider for the child for whom the records are in noncompliance may be an overpayment.

2. If the provider submits incomplete daily attendance records in response to a request under sub. (2g) (c), the difference between the department's payment to the provider and the payment that supported by the daily attendance records that were submitted may be an overpayment.

3. If the provider submits daily attendance records under sub. (2g) (c) that do not accurately document hours of attendance reported to the department in the provider's request for payment under sub. (2g) (d), the difference between the amount paid and the amount that would have been paid if the hours were accurately reported under an attendance-based authorization may be an overpayment.

SECTION 5. DWD 56.04 (5) (c) is amended to read:

DWD 56.04 (5) (c) If a child care administrative agency has given notice to a provider that the provider is in violation of licensing or certification rules and the provider has not corrected the violation or if the provider submits ~~false~~ inaccurate attendance reports, ~~refuses~~ fails to provide documentation of the child's actual

attendance, or gives false or inaccurate child care price information, the child care administrative agency or department may take one or more of the following steps:

1. Refuse to issue new child care authorizations to a provider for a period of time not to exceed 6 months, except as follows:

a. If it is the provider's second documented instance of submitting an inaccurate attendance report or the inaccurate report resulted in or would have resulted in an overpayment of \$1000 or more, the agency may refuse to issue new child care authorizations to a provider for a period of time not to exceed 1 year.

b. If it is the provider's third or subsequent documented instance of submitting an inaccurate attendance report or the inaccurate report resulted in or would have resulted in an overpayment of \$5000 or more, the agency may refuse to issue new child care authorizations to a provider for a period of time not to exceed 5 years.

2. Revoke existing child care authorizations to the provider.

3. Refuse to issue payments to the provider until the provider has corrected the violation.

4. Recoup or recover an overpayment under par. (bm).

SECTION 6. EFFECTIVE DATE. This rule shall take effect the first day of the month following publication in the Administrative Register as provided in s. 227.22 (2) (intro.), Stats.