



Home Child Care Association of Ontario  
Association Ontarienne de garde d'enfants à domicile

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## **Funding the Licensed Home Child Care Sector**

### **Base Funding Agency Costs/Simplifying Provider Compensation**

#### **Introduction**

While there are many different definitions of base funding, for the purposes of this document base funding is defined as follows:

***Core funding provided directly to the home child care agency by the local CMSM/DSAAB that covers all fixed administrative costs as demonstrated initially by a budget submission and as confirmed through the submission of audited financial statements.***<sup>1</sup>

The **Home Child Care Association of Ontario** has been advocating for the base funding of agency administrative costs for a number of years based on the premise that base funding would allow for:

- 1) Recognition of the actual /operating costs incurred by a licensed home child care agency through funding that is consistent, sufficient and that enables agencies to plan effectively to meet the needs of their own unique communities.
- 2) Adequate compensation of the independent contractors who provide care in their own homes in partnership with licensed home child care agencies, so that they are remunerated at a market rate or a rate comparable with unregulated providers. This will enable them to be financially viable and therefore more likely to remain committed to being part of a licensed, quality system.
- 3) A simplified, less bureaucratic funding mechanism for provider payments.
- 4) Increasing the supply of regulated, affordable and accessible high quality licensed home-based early learning and care throughout the province.<sup>2</sup>

This brief document is intended to provide information and support for Home Child Care Agencies across the province as they engage collaboratively with their local CMSM/DSSAB to explore potential changes to the existing funding model that will simplify complicated funding models that may no longer reflect current legislation and regulations.

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<sup>1</sup> ***Funding Home Child Care - Moving to Base Funding***, Home Child Care Association of Ontario, 2017

<sup>2</sup> Adapted from ***Funding Home Child Care - Moving to Base Funding***, Home Child Care Association of Ontario, 2017

The **HCCAO** would like to acknowledge the City of Toronto, which will introduce a base funding model and a revamped provider payment model in January 2018. The City has given the **HCCAO** permission to share some of the thinking behind the City's new model and the materials that will support its implementation. We would also like to acknowledge Network Home Child Care, which has given the **HCCAO** permission to use information developed to introduce the new model to affiliated providers.

**Key Messages to Support Base Funding of Agency Operations and a Simplified Payment Mechanism**

- 1) Any changes to funding models must be PRINCIPLE based and support the provision of high quality, licensed, home based child care.
- 2) Administrative/operations funding should be determined and allocated on a PER HOME basis rather than on a per child basis to reduce volatility in funding levels. This also reflects some of the recent legislative and regulatory changes that give Agencies responsibility for all the children in the home whether they were directly or privately placed.
- 3) The existing systems across the province are overly complex, expensive to administer and do not reflect the realities of the licensed home child care sector.
- 4) Many CMSMs/DSSABs have moved to a core or base funding model for the licensed group care sector. Moving to a similar model for the home child care sector is timely.
- 5) Base funding will allow for a simplified budget submission and approval process.
- 6) Increasing the affordability of the licensed home child care system will increase the number of children who are able to access licensed, regulated and monitored care.
- 7) The Early Years Division of the Ministry of Education has established a working group on Base funding and is encouraging CMSMs and DSSABs who have responsibility for the planning and management of the licensed early learning and care sector to move towards base funding.

**Principles for Moving Forward with a Base Funding Model<sup>3</sup>**

- 1) Quality is first and foremost and any new funding model must support the provision of high quality, home based early learning and care.
- 2) Support increased access and affordability for both families who are full fee and who are subsidized to the licensed home child care system.
- 3) Any new funding model must recognize and reinforce the independent contractor status of providers.
- 4) Any new funding model must stabilize agencies and decrease the level of funding volatility.
- 5) Any new funding model will separate funding directed towards per diems payments to providers and the base administrative funding to agencies.
- 6) Any new funding model will incorporate advantages for families and for providers to participate in the LICENSED home child care system.

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<sup>3</sup> Adapted from a City of Toronto presentation made November 28, 2017

**What is included in fixed or base administrative/operating costs?**

The intent of moving to a base funding model is to simplify and stabilize agency operations while still insuring accountability for the spending of public funds. The **HCCAO** identified the following items:

- Salaries and benefits for home visitors
- Rent and/or occupancy costs
- Program development costs
- Professional development costs
  - For home visitors
  - For independent contractors
- Insurance
- Administration (billing, record keeping )
- Travel
- A relative share of the central administration costs of the agency/organization including but not limited to:
  - Salary and benefits of the CEO/Executive Director
  - Central Administration including but not limited to audit costs, general insurance, advertising

The City of Toronto is using the following categories<sup>4</sup>:

- Salaries and Benefits
- Occupancy
- Contracted Services
  - Insurance
  - Professional Fees
  - Legal Costs
  - Cleaning
- Programming
  - Training and Development
  - Program Related
- Administration
  - Office Related
  - Business Travel

As each CMSM/DSSAB area works to determine what will be included and what are the allowable expenses, a recognition of the impact of geography and other differences must be considered. For example, in rural communities, transportation costs may be higher while in large urban centres there may be costs for translation of materials.

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<sup>4</sup> City of Toronto presentation made November 28, 2017

**What about Provider Per Diem Rates?**

Any transformation of funding in the licensed home child care sector should include a review of the way in which provider compensation is calculated and paid. The provider compensation model must:

- ✓ Reflect the reality that providers operate as independent contractors who affiliate with agencies and are not agency employees.
- ✓ Be fair, equitable and adequate.
- ✓ Incorporate the expectations of the CCEYA and current regulations with respect to numbers of children, ages of children and program and administrative expectations.
- ✓ Be easy to understand and implement; transparent and predictable
- ✓ Reflect the actual number of hours of care.
- ✓ Recognize private children.
- ✓ Separate agency funding from per diem rates paid to providers based on the number of children for whom they are providing care.

As an example of the potential to simplify the system, the City of Toronto will go from a potential of **99** service offerings to **12** as of January 1, 2018. In addition to this being more reflective of actual patterns of use, this reduction will result in greatly simplified attendance recording. The City of Toronto is also making changes to the age groupings of children and to the way per diem rates for full day kindergarten and school age children will be calculated to create a consistent school year rate and a summer rate. Historic provider grants have also been rolled into these rates. (The Home Child Care Enhancement Grant will still be paid ON TOP of these rates.) The chart below outlines these changes:

AGE	DURATION OF CARE (Sunday to Saturday)	RATES
0 - 2	Full time (6 to 12 hours)	\$48.25/day
0 - 2	Part time (less than 6 hours)	\$32.65/day
0 - 2	Extended Day (more than 12 hours)	\$63.25

AGE	DURATION OF CARE (Sunday to Saturday)	RATES
2 - 4	Full time (6 to 12 hours)	\$43.70
2 - 4	Part time (less than 6 hours)	\$29.65/day

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2 – 4	Extended Day (more than 12 hours)	\$57.80
<b>AGE</b>	<b>DURATION OF CARE</b>	<b>RATES</b>
4 - 12	School Year – Blended Rate*	\$25.50/day
4 – 12	Summer Rate – Full time	\$35.45/day
4 – 12	Summer Rate - Part time	\$24.10/day
4 – 12	Extended Day (more than 12 hours)	\$46.45/day

Blended Rate\* - During the school year (September to June) school age per diems will be the same every day as 7 Professional Development Days, Winter Break (8 days), March Break (5 days), Easter Monday (not a Statutory Holiday) and 10 Contingency Days (for example – schools are closed because of a snow day) have been incorporated into the daily school age school year rate. Providers will be paid for Statutory Holidays only if a child actually attends on a statutory holiday.

**Making the Case for Change: Information Gathering**

To make changes to the existing home child care model requires an understanding of the strengths and challenges inherent in the funding model current being used by each CMSM/DSSAB. Ideally, this process will be done collaboratively by a Working Group or Advisory Committee comprised of subject matter experts, community stakeholders and staff members from the local CMSM/DSSAB.

Consider:

- Reviewing existing policies and procedures against current legislative and regulatory requirements.
- Reviewing existing City/Regional/Township by-laws to ascertain if there are any obstacles to moving forward.
- Developing the Principles that will guide any changes. (see above)
- Collecting the necessary data to reinforce the importance of licensed home child care including but not limited to:
  - % of care provided through licensed home child care;
  - The age distribution in licensed home child care (Home Child Care may account for a significant percentage of infant/toddler care);
  - The turn-over rate of children in licensed home child care;
  - Demand for care outside traditional hours of Monday to Friday, 7:00 am to 6:00 pm;
  - The existing number of payment options and how many of them are actually utilized;

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- How historic grant money is being allocated;
- The average number of children in each home;
- How many privately placed children are in the licensed system;
- Would a reduction in full fee per diems be likely to increase the number of families that would use licensed rather than unlicensed home child care?
- Conducting focus group sessions with independent contractors, home visitors and parents to identify key issues and concerns.
- Conducting a review of what other CMSMs and DSSABs are doing.

Having gathered the necessary information, ideally in concert with the local CMSM/DSSAB, develop the case for the implementation of a base funding model and a simplified provider compensation model.

Having made the decision to move forward with the separation of agency costs and per diem costs, determining how best to insure financial accountability will be critical. Per Diem rate payments based on children's ages and attendance patterns (see above) can be reviewed against submitted attendance records.

Agencies will develop budgets that reflect their administrative/operating costs on a per home basis and within any limits set by the CMSM/DSSAB, these will be paid on a quarterly basis and will be reviewed annually for accuracy against audited financial statements.

There are some important considerations to be agreed upon with respect to determining funding levels on a per home basis:

- 1) For how long could a home not have any children placed by the agency and still be considered to be a funded home?
- 2) Is there an expectation with respect to an average or minimum number of children per home; that is to say, what are the efficiency of operation expectations?
- 3) Determine the size of a caseload for home visitors on a per home rather than number of children basis. Consider whether there will be any exceptions to a basic formula and what these might be. For example, would distance between homes be taken into consideration when determining caseload numbers?

Each CMSM/DSSAB will determine how frequently the number of homes would be reviewed and if there would be a percentage or numeric change up or down, that would trigger an automatic review.

**Moving Forward**

As the Province works collaboratively with CMSMs/DSSABs and their community partners to expand access to the licensed child care sector, there is a window of opportunity to move forward with a more transparent, equitable and manageable funding model for the licensed home child care sector.

The **Home Child Care Association of Ontario** urges its member organizations to take action to move this process forward in their communities. Please do not hesitate to reach out to the HCCAO with any questions you may have.

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We will continue to update the membership with information as it comes available.

