

**County Job and Family Service Examples of Problems  
in the Reimbursement of Type B Child Care Providers**

For the past several years county job and family service agencies had expressed concerns to the state department regarding a significant issue regarding child care reimbursement rates. In particular, county agencies were seeing growing incidents where providers appeared to be maximizing reimbursement by providing care a minimal number of hours to receive the maximum compensation.

In the summer of 2010 several counties were asked to review their child care reimbursement system to determine if they could identify problems in their community. The following are comments/examples received from those agencies (\*Note - these are legal practices and should not be construed to insinuate fraud or misuse of the child care system as it is currently designed):

**County A: Example of provider services being shared by providers in our county:**

July 2010

	Provider 1	Provider 2	Provider 3	TOTAL
Actual income	\$7501.72	\$6501.08	\$6216.48	<b>\$20219.28</b>
Proposed	\$9365.84	\$4127.75	\$ 665.65	<b>\$14159.24</b>
<b>Savings</b>	<b>(-\$1864.12)</b>	<b>\$2373.33</b>	<b>\$5550.92</b>	<b>\$ 6060.04</b>

**12 MONTH POTENTIAL SAVINGS FOR THE STATE: \$72,721.56**

**County B: Examples of Childcare Providers Sharing**

- 1.) Husband and wife (Limited providers) share hours to provide childcare for their two "grandchildren". Each of the grandparents submit separate invoices for the care of their grandchildren. The children's mother works afternoons and is allowed sleep time before picking up the children. The grandparents change care from one grandparent to the other grandparent for hours of care in the middle of the night. The hours are for when both the providers and their grandchildren are sleeping. This ensures that each grandparent earns a part week rate.

Payment for one invoice would have been \$ 636.88

Payment for two invoices = \$ 1040.24

**Additional paid for one month = \$ 403.36 due to sharing in the same home.**

- 2.) Husband and wife (Type B providers) each submit invoices for 16 children. They switch hours back and forth to ensure that they each are paid a part week rate. There are also weeks that they switch to ensure that they both are paid a full week rate.

Payment for one invoice would have been \$3809.45

Payment for two invoices = \$5971.30

**Additional paid for one month = \$ 2161.85 due to sharing in the same home.**

- 3.) Husband and wife (Type B ) share seven children. Each submit separate invoices. They switch hours of care to ensure that each of them are paid for a part week rate or full week rate.

Payment for one invoice would have been \$ 3809.45

Payment for two invoices = \$ 5971.30

**Additional paid for one month = \$ 2161.85 due to sharing in the same home.**

- 4.) Three relatives (mother, daughter, and daughter-in-law) share twenty-two children in their three separate homes. There are times when the children are switched from one provider to another to ensure that they each are paid at least a part week rate for the same child/children. There are weeks when more than one of these providers is paid full week rates for the same child/children. There are numerous issues with these 3 providers caring for and billing for the same child/ children.

Payment for one invoice would have been \$ 11,742.11

Payment = \$ 25,957.69.

**Additional \$ 14,215.58 paid for one month due to sharing.**

#### **Other Interesting Points to Consider in Our County:**

- **49 of our 73 providers share with other providers to ensure part/full week rates.**
- **We have had as many as six providers sharing and billing for the same child/children.**
- **A parent went to the provider's home where the child was left in the morning and found a note on the door that the child should be picked up elsewhere. The parent terminated childcare through our agency.**

#### **County C:**

Reviewing July 2010 (5 week payment period) we identified 7 in-home providers involving 38 children in the transfer of children between providers. We actually have a few more but didn't include them because the reasons for transferring between providers is known to the agency and appear to be very legitimate. (For example...parent works split shifts and a provider is only available till "X" time so another provider takes the child for the evening, etc.)

Overall the payments to the "first" providers for the above 38 children totaled \$ 17,279.74 for the 5 week billing period.

Payments to the "additional" providers for the same children totaled \$ 20,355.25.

So total cost for the 5 week period was \$37,634.99, or \$990.39 per child.

I should also note, that several of the families have significant co-pays (\$241, \$180 \$135 and \$112 a month). So there's \$668 we would have paid were it not for the co-pay.

Basically, **\$20,355.25 was the "additional" payments.** So that's about **\$211,694.60 a year** for us. If that's the "average"...it's still **\$18,629,125 in additional costs statewide!** (88 counties by \$211,695).

"One reason I think we don't see as many "double dippers" as other counties...we have a large number of centers providing services."

#### **County D:**

I approached my staff requesting information to send to the ODJFS Director's Office information regarding potential overpayment of invoices for child care based on the sharing of kids or providers maximizing reimbursement rates by providing minimal services. Workers had no problem gathering information rather quickly identifying names, examples and producing documents. I have used their information to address some of our county issues.

Child care issues:

### \* Clients who have more than one provider

Issue: This is a prevalent issue, especially amongst type b providers. As a specific example, we have a client who has requested four type b providers to watch her three children. She is authorized for 24.5 hrs/week. If one provider watched the children all week, that provider would receive reimbursement for five PT weeks. However, when all three providers watch the children 7 hrs/week, they will each receive reimbursement for a PT week in addition to the fourth provider who can bill for 3.5 hrs of reimbursement at the hourly rate. Not only is this instance (which we have many more like it) wrong from a financial standpoint, but where in this scenario is the stability for the children? Some of our clients may not be capable of providing that type of environment, so shouldn't the intent of the child care program also be about the emotional well-being of the children? On the other hand, are the children really being bounced from one provider to another? Some clients will sign anything for a benefit, so maybe they have something worked out with the providers. And as long as the client signs the sign in and out sheet, we do not really know what is going on.

Impact: The above scenario creates issues with regard to processing invoices. The client above works at Speedway so her work hours vary, which means her authorization hours vary. When an invoice from one of these providers is received, the authorization is pulled from Onbase (digital imaging system). My staff person then has to ensure that the maximum hours are not exceeded with regard to the three other providers and that there are no duplicative hours reported by providers before processing the invoice. This takes time and has the potential of not always being caught.

There is also an impact in the child care eligibility unit with regard to numerous authorizations. My first guess about why a client would request a change would be that their work hours had changed, they now have a different school schedule and/or they have lost their employment. However, this is not the case as the majority of requests to change authorizations each month are for provider changes. Clients seem to continually add providers. I do not know the reason for the continual changes, but it creates redundant work for the unit, convolutes the process and creates the potential for the reimbursement of overlapping hours by providers.

### \* Type B providers who are both certified at the same address

Issue: We currently have four couples living at the same address that are both certified providers. In the recent past, we did have one family that also included the daughter which meant three certified type b providers under one roof. I know the regulations have been changed with regard to this effective 8-14-08, however these couples are still grandfathered in since their certifications did not lapse.

The first couple has the same children authorized to them, 19. Between them for the month of July, they received \$9,161.37. While you can argue there is stability here since the children do not have bounce from one provider to another, this scenario allows for what I refer to as '**creative invoicing.**' The creative billing for this couple (done in the same hand writing) allows for: both providers to receive PT reimbursement for the same weeks, when one provider has reached the minimum FT hours (25) for the week, the other picks up the slack and receives PT reimbursement for the same week.

The second couple also has the same children authorized to them, 15. Between the two of them for the month of July they received \$11,367.21. If only one of them were paid for the month, the reimbursement would have been \$4,341.09, **a savings of \$7,636.18.** Their creative invoicing goes like this: when the wife reaches the minimum PT hours (6.5) for the week, the husband provides services and when the wife reaches the minimum FT hours (25) for the week, the husband provides services. As a result, on their July invoice, they have both been paid for servicing each child all five weeks.

### \* Type B providers who also have opened a day care center

Issue: We have a handful of type b providers who have also opened day care centers. When the authorizations of both venues are reviewed, it is very common that most-to-all of the children authorized to the type b home are also authorized to the center. This allows the creative invoicing to take place here as well. For example, when the center invoice reaches the minimum FT hours (25), the type b provider invoice reflects any additional hours. And why wouldn't it? The center rate is much higher for all reimbursement groups, i.e. Infant, Toddler, Pre-School, School Age and Summer School Age and this therefore allows for the maximum reimbursement.

Impact: This impact is the same as the above where clients have multiple providers. And due to budget constraints, I have only two staff persons checking these invoices every month for all of the issues I have addressed (and then some). I have set deadlines to ensure our providers are reimbursed timely, but all the issues listed above always take us to the eleventh hour.

Closing:

We have received as many as 20 requests per month from individuals wanting to become a type b provider. While not all come to fruition due to the criteria they must meet, the word is definitely 'out on the street' that being a day care provider is the way to go.

**Please note: this email by no means states that all providers submit creative invoices for reimbursement. We have many wonderful providers who operate by the book, genuinely care for the children they service and are not involved in any type of creative invoicing activity. However, if the potential to commit fraud via the regulations remains to exist, it may be difficult for everyone to continue to abide by the rules.**

### County E

I would like to share two situations in our county that indicate challenges in the child care provider reimbursement under the part time and full time weekly rate structure.

First, we have had three different groups of providers located in different areas within our county who move the children around so they are each paid at least part time rates for the minimal amount of time. This legal manipulations continues to occur.

Secondly, the rule states that the primary provider receives the copay. With another group who shares children the primary provider called the agency recently requesting the child care worker to change the copayment to Provider #4, who happens to be the clients mother. The agency did not act with this request. It appears that clients allow the providers to dictate where the children will go and on what days. These providers are very organized and times are related.

The loop hole exists and is alive and well

### County F

We have one provider who refuses to take children from 11 to 24.9 hours and doesn't want them more than 25 to 26 hours a week.

We also have a mother and daughter who live next door to each other who do the same thing as the provider listed above to take advantage of the full-time rate. They want to switch children between their houses when they get too far above the full-time rate.

We don't think this is ethical and feel the state would save money if an hourly rate was used instead. I used day care for my children from the time they were infants and would have found it disconcerting if I was required to use multiple providers due to their self-imposed restrictions on hours. I realize parents have a choice but I think the current system encourages misuse.

## County G

We looked at the percentages of our total child care families who utilize multiple providers.

We have 960 eligible families

Right now a total of **33% (315) of our families use multiple providers**

Of that number 28% (270) use two providers / 4% (39) use 3 / <1% use 4

In reviewing two cases in depth where the claim for part-time is only 7 hours of service. These are some worst case scenarios but still perfectly legal and repeated multiple time throughout the 88 counties. However, what is very common - and a **complaint from our consumers - is that most Type B providers will not watch a child more than 25 hours....many working moms work 25 to 30 hours. This creates a real hardship for these folks - having to find two providers and accommodate each one - plus the disadvantage to the child.**

The part-time / full-time system is certainly well supported by providers as it maximizes their income for the least amount of time on task. If this service is for the support of working families then this method is not in their best interests at all.

Other scenarios include:

### Example # 1

During the July billing period (6/27/10 – 7/31/10) a total of 4 providers billed for 3 children from one household. Two of the providers are a married couple that were certified prior to the change in regulations. The caretaker works for a cleaning service and can work any day of the week at any hour of the day. The caretaker is required to pay a \$143.00 copay each month. In this situation, all 4 providers billed for a Part Week for every week that care was provided.

### Child #1:

	Combined total number of hours billed by all providers:		Monthly amount paid to all providers:
Week 1	53.5	Provider 1	\$479.10
Week 2	38	Provider 2	\$336.10
Week 3	36.5	Provider 3	\$479.10
Week 4	36	Provider 4	\$456.30
Week 5	32		
		<b>TOTAL:</b>	<b>\$1,750.60</b>

**If only 1 provider had cared for child #1, the monthly payment would have been \$556.88**  
(copayment has been deducted.)

**The difference is: \$1,193.72**

**Child #2:**

	Combined total number of hours billed by all providers:		Monthly amount paid to all providers:
Week 1	41.5	Provider 1	\$395.70
Week 2	36	Provider 2	\$395.70
Week 3	35.5	Provider 3	\$395.70
Week 4	36	Provider 4	\$376.85
Week 5	32		
		<b>TOTAL:</b>	<b>\$1,536.95</b>

**If only 1 provider had cared for child #2, the monthly payment would have been \$630.30**

**The difference is: \$933.65**

**Child #3:**

	Combined total number of hours billed by all providers:		Monthly amount paid to all providers:
Week 1	28.5	Provider 1	\$79.14
Week 2	22	Provider 2	\$395.70
Week 3	22	Provider 3	\$395.70
Week 4	22	Provider 4	\$301.48
Week 5	23		
		<b>TOTAL:</b>	<b>\$1,172.02</b>

**If only 1 provider had cared for child #3, the monthly payment would have been \$442.62**

**The difference is: \$729.40**

**\*\*An additional \$2,856.77 was paid for the care of these children due to having more than 1 child care provider.**

**Example #2:**

During the July billing period (6/27/10 – 7/31/10) a total of 4 providers billed for 2 children from one household. The caretaker works 16 and 24 hour shifts as an EMT with an ambulance company. There are 4 providers (2 of which are a married couple and both are certified) that care for these children. The children are shifted throughout the day. Ex.: Provider #3--7:00am-2:00pm Provider #4—2:00pm-9:00pm Provider #1-- 9:00pm to midnight and Provider #2 (provider # 1's husband) cares for the kids from midnight to 8:00am the next day.

Provider #1 billed for 5 Full weeks and the other 3 each billed for 5 Part Weeks of care (providing 7 or 8 hours of care each week.) The caretaker is required to pay a \$217.00 copayment each month.

**Child #1:**

	Combined total number of hours billed by all providers:		Monthly amount paid to all providers :
Week 1	58.5	Provider 1	\$398.65
Week 2	59	Provider 2	\$439.15
Week 3	59	Provider 3	\$418.25
Week 4	59	Provider 4	\$439.15
Week 5	59		
		<b>TOTAL:</b>	<b>\$1,695.20</b>

**If only 1 provider had cared for child #1, the monthly payment would have been \$577.99**  
 (copayment has been deducted.)

**The difference is: \$1,117.21**

**Child #2:**

	Combined total number of hours billed by all providers:		Monthly amount paid to all providers :
Week 1	58.5	Provider 1	\$615.65
Week 2	59	Provider 2	\$439.15
Week 3	59	Provider 3	\$418.25
Week 4	59	Provider 4	\$439.15
Week 5	59		
		<b>TOTAL:</b>	<b>\$1,912.20</b>

**If only 1 provider had cared for child #1, the monthly payment would have been \$794.99**

**The difference is: \$1,117.21**

**\*\*An additional \$2,234.42 was paid for the care of these children due to having more than 1 child care provider.**

**County H**

In the past, I have not hesitated to express my concern regarding the reimbursement of child care providers at part-time and full-time rates instead of actual hours for services.

Here is a perfect example of why I am so frustrated with this current system. During the month of July, five providers (all related) watched four children from one household for one week each (July had five pay weeks). Collectively, these five providers will be paid \$6,415.46 in public taxpayer dollars for watching these four children. If only one of the providers had cared for the children the entire month, their reimbursement would have totaled \$2,281.95, or \$4,133.51 less than what they are being paid. And that's for just one month!

These same five providers are also sharing kids from seven other families. In total they will be paid over \$20,000 for the month. Assuming the percentage of what I will term as an "overpayment" is consistent with all children in their care as the case I detailed above, their overpayment would total nearly \$13,000 for the month of July.

These are not the only providers in the county who have learned how to work the system but I think the above example does do a good job of illustrating how tax dollars are being wasted. Given the fact that our reimbursement rates are much lower than those of the metro counties, I would venture to say that the annual impact is tremendous.

**Other County Comments:**

I have spoken with numerous clients that report that they cannot find a provider that will watch their child/children for all of the days and time that they need. Providers inform the parents that they can only watch the child/children for certain times (always at least 7 hours or 25 hours per week). Then the provider gives the parent the names of other providers (providers that he/she shares with) that could watch the child/children for the other hours needed (ensuring part or full week rates for each provider).

Some of the sharers deliver the child/children to each other's homes to ensure part/full week rates for the shared providers.