

I. CHAPTER OVERVIEW

This chapter explains the rates which may be paid to providers that have been approved for participation in the Subsidized Child Care (SCC) Program.

II. APPROVAL NOTICE

The Approval Notice is a form generated by DCDEE which identifies specific provider information such as age range, capacity and maximum payment rate information. Copies of the Approval Notice may be printed from the Subsidized Child Care (SCC) Reimbursement System. The LPA must keep a copy of each Approval Notice on file in the agency and may provide a copy of the Approval Notice to the provider. Refer to [Chapter 16: Approval and Enrollment Procedures for Licensed Facilities](#), for more information.

III. PAYMENT RATES FOR LICENSED FACILITIES

A. Payment Rates for Centers and Family Child Care Homes

The following providers are paid the rates charged to private paying parents **or** the current market rate associated with their star rated license, *whichever is lower*.

1. Licensed child care centers,
2. Licensed child care homes,
3. Licensed before and/or after-school programs.

Facilities without a star rated license will be paid their private-paying rate or the one star market rate. Those facilities include: religious-sponsored facilities choosing to operate under a Notice of Compliance (G.S. 110-106) and newly opened facilities with a temporary license.

Refer to [Appendix B](#) for a listing of the current market rates.

Additional fees charged by providers are not reimbursable. If the provider's charge is more than the rate to be paid by the local purchasing agency (LPA) and the arrangement is the parent's choice for the child, it is permissible for the parent to pay the difference between the provider's charge and the rate paid by the LPA. This is allowed only if the parent indicates a desire to do so. **The LPA cannot require the parent to pay the difference.** If the parent is unwilling or unable to pay the difference, the LPA must allow the parent to select another provider.

NOTE: Parental fees must be deducted from the provider's allowable charge to determine the amount of payment to be issued to the provider by the LPA.

B. Discounts for Early Payment

When determining the rate charged to private paying parents, the LPA shall request the payment rate for each age group, that is, the amount paid by private paying parents when paid on-time (the normal date due). LPA staff shall also inquire about any discounts offered by the child care provider when payments for child care are paid early by private paying parents. If the provider offers private paying parents a discount for paying early, the subsidy payment shall not be more than ten percent (10%) above the provider's discounted early payment rate to private paying parents. This discount cannot exceed the on-time rate or the applicable market rate.

C. Payment Rates for Sliding Fee Scales and Scholarships

Providers may choose to offer parents varying rates based on a sliding fee scale or a reduced rate based on a scholarship. A **sliding fee scale** is a graduated fee schedule that applies to all private paying families who participate in the provider's program and is related to the availability of the provider's other revenue and in-kind contributions. A **scholarship** is an award given to a limited number of families who meet the criteria. The guidelines for addressing a sliding fee scale or scholarship are provided below.

When a provider offers a sliding fee scale or scholarship to help families pay for child care, the provider's policies pertaining to the sliding fee scale or scholarship must be in writing and available to families. The provider must keep the application on file for each family requesting the assistance. The provider's policies and a copy of the application the provider uses must be on file with the LPA as documentation of the reason that some rates are different from those paid by the LPA. It is the responsibility of the local purchasing agency to review these policies to determine that a valid sliding fee scale or scholarship exists. This can be accomplished by checking for the following:

1. Has the provider submitted a written copy of the sliding fee scale and/or scholarship policies?
2. Do the policies have an effective date?
3. Does the policy adequately describe the criteria for qualifying for the assistance?
4. If the provider has a sliding fee scale, are the rates that parents pay listed for each age group at each income level?
5. If a scholarship is offered, has the provider identified the amount of the scholarship and the time period the award covers?
6. Has the provider submitted a copy of the application that parents who apply for the assistance must complete?

7. Does the application ask for information to document that the recipient meets the requirements for the assistance?

Scholarships may be based on criteria other than, or in addition to income, and the family may be required to pay a portion of the child care cost. The provider's written policies must indicate the specific requirements the provider uses to select the families who receive the awards; e.g., a scholarship can be awarded to members of the church where the child care program is located, to eligible families on the waiting list for child care services at the local purchasing agency, to teen parents enrolled in high school, etc. The scholarship must have a specific monetary value and identify the time period the award covers.

It is possible for a provider to offer both a scholarship and a sliding fee scale. Some providers in counties where there are long waiting lists for subsidized child care services offer a scholarship to eligible families who are on the waiting list at the local purchasing agency and also use a sliding fee scale for families whose income exceeds the Subsidized Child Care Program's income eligibility limits.

When a visit is made to a child care facility for the purpose of a record review, monitoring, agency audit, etc., the provider's written policies on the sliding fee scale and/or scholarship program, along with the application completed by each parent requesting the assistance, must be on file on site and available for review by parents and authorized county, state, and federal staff. The application must include information to document that the recipient satisfies the specific requirements for a scholarship or meets the income eligibility for a reduced rate. It is the provider's responsibility to determine if a family qualifies for the assistance the child care program is offering; however, there must be information on file with the provider to support the decision made. A statement from the recipient of the sliding fee or scholarship assistance is acceptable unless there is reason to question the information.

If the LPA determines that the policies for a new provider's sliding fee scale and/or scholarship do not meet the criteria as defined above, the provider is allowed thirty (30) calendar days from the date of submission to develop the criteria to validate the policies and bring them into compliance. New provider policies that remain out of compliance and implementation of a sliding fee scale or scholarship without prior review by the LPA may result in a change in the subsidy payment rates, the return of funds to which the provider was not entitled, or the termination of approval to receive subsidy funds. (See [Chapter 20: Payment Policies](#) for information on termination of subsidized child care payments and [Chapter 23: Fraudulent Misrepresentation and Overpayments](#) for procedures to follow for situations involving inadvertent errors, fraud, or intentional program violations.)

If a provider who is enrolled in the Subsidized Child Care Program decides at a later date to initiate a sliding fee scale and/or a scholarship, the policies and other required information must be submitted to the LPA as documentation to support the fact that some parents are charged varying rates.

Once the sliding fee scale and/or scholarship program is determined to be valid, the LPA determines the subsidy payment rates. The provider must identify the appropriate private pay rate charged for each age group or income level. The private pay rate is the rate that is compared to the market rate, and whichever is lower is the subsidy payment.

A sliding fee scale is typically based on gross or net family income and can include family size and/or the number of children in care. The fee scale must include the amounts charged for each age group at each income level.

D. Bonus and Enhancement Payments

Providers may elect to meet higher licensing standards to earn a higher star rated license. All providers are paid the rate charged to private paying parents or the market rate for the applicable star rated license, whichever is lower. Providers who elect to meet higher licensing standards for a 2 through 5 star rated license may be eligible to receive a Smart Start quality bonus payment or a Smart Start enhancement payment in those counties in which Smart Start funds are used for that purpose.

A Smart Start quality bonus is a percentage applied to the facility's private pay rate. The percentage is determined by the local Smart Start partnership. Local Smart Start partnerships may also approve the use of Smart Start funds to pay an enhancement. The enhancement is usually a dollar amount and not a percentage. The enhancement may be paid to child care providers for activities that increase the quality of care and is based on criteria determined by the local Smart Start partnership.

NOTE: Smart Start funds cannot be used for school-age children.

E. Payment Rates for Certified Developmental Day Centers

Certified developmental day centers primarily serve children who meet the definition of children with special needs but may also serve typically developing children. Payment rates for certified developmental day facilities for children with special needs and typically developing children are based on a cost study which is conducted by the Office of the Controller in the Department of Health and Human Services. The cost study establishes a net cost that is used as the subsidy payment rate for children with special needs and typically developing children.

1. Child with Special Needs
 - a. In order to authorize the special needs rate, the following criteria must be met:

- (1) The child must meet the special needs criteria defined in [Chapter 6: Serving Children with Special Needs](#).
 - (2) The provider must report rates for children with special needs and typically developing children in a certified developmental day cost study. A net cost is determined after the center documents available revenues such as Medicaid, Early Intervention Funds, DPI payments, or other fund sources.
 - (3) The provider must complete the cost study process in order to continue to receive subsidy payments as a certified developmental day center.
 - (4) The LPA must receive a Referral for Child Care – Children With Special Needs form ([DCD-0093](#)) from the local Children’s Developmental Services Agency and/or a copy of the service delivery plan page of the Individualized Education Program (IEP) or Individualized Family Service Plan (IFSP). The DCD-0093 and/or the service delivery plan page of the IEP or IFSP must be completed and reviewed each year in order to continue paying the appropriate rate.
- b. When the child qualifies for subsidy services, the LPA pays the net cost of care as shown on the Approval Notice for each child with special needs.
- (1) When a preschool age child with special needs between the age of birth and five (5) years of age, is enrolled in a certified developmental day center, the LPA pays the rate on the Approval Notice.
 - (2) When a school-age child is enrolled in a certified developmental day facility, the local education agency pays the center for basic education and related services for the school portion of the day for that child. The LPA cannot use subsidy funds to pay for the school hours.
- If the child needs before and/or after-school care and the certified developmental day program offers child care, the LPA may pay a part-time rate for that service (before and/or after-school). In order to pay for before and/or after-school care, the LPA must determine the hours that school operates, the hours of the before and/or after-school care, and if private paying parents are charged for that time. Payment would be at 50% or 75% of the rate on the Approval Notice, based on the hours of care needed. The LPA may also pay a full-day rate for child care provided to school-age children

at a certified developmental day facility on public school holidays, teacher workdays, and during summer vacation, if care is needed.

2. Typically Developing Child

Certified developmental day centers are encouraged to enroll typically developing children. In order to determine the rate for a typically developing child, the LPA will pay the rate indicated on the Approval Notice for typically developing children.

Refer to [Chapter 20: Payment Policies](#) for more information on payment policies.

F. Supplemental Payment for Children With Special Needs

More children with special needs are being served in inclusive child care settings, that is a center or home in which the majority of the children receiving care do not have special needs. This policy applies to all licensed homes, nonlicensed homes and all licensed centers with the exception of certified developmental day facilities. In some cases when a child with special needs receives care in an inclusive child care setting, the provider may incur additional expenses to care for the child. In these cases, the child care provider can request a supplemental payment to cover these expenses.

Actual additional documented costs incurred by the provider must be based on the plan developed to meet the child's individual needs.

1. Examples of costs incurred by the provider, which may be covered by supplemental payments include, but are not limited to:
 - a. Specialized learning materials or equipment,
 - b. Additional staff, and
 - c. Substitute time so that staff can participate in training which would help ensure successful placement of the child with special needs.

NOTE: Both preschool children and school-age children who need child care services when they are not in school are eligible for the supplemental payment. However, not all providers will need a supplemental payment to meet the child care needs for serving the child in an inclusive setting, as some children with disabilities can be included with no additional costs to the provider.

2. Examples of costs, which are **not** covered by supplemental payments include, but are not limited to:

- a. Consultation services,
- b. Educational services, and
- c. Specialized therapies and related services, such as occupational and speech therapy.

NOTE: These services must be paid with local mental health or local education agency funds.

See Subsidized Child Care Codes in [Appendix F](#) for supplemental rate group information.

3. Documentation Needed to Request a Supplemental Payment:

The LPA must receive the following documents to review the need for a supplemental payment.

- a. A Child With Special Needs Additional Expense Documentation ([DCD-0454A](#)) form completed by the provider that includes the following:
 - (1) Documentation of the services or activities that the provider will offer which require additional expenses. Costs are determined by the provider in collaboration with one of the following representatives:
 - (a) Early Intervention Coordinator from the Children's Developmental Services Agency (for children under three (3) years of age);
 - (b) Staff from the local education agency (for children three (3) years or older);
 - (c) Child Service Coordinators in the local public health department; or
 - (d) Child Service Coordinators in the local management entity (local mental health agency) LME.

The appropriate signature is needed from one of the representatives to verify the need for these services.

- b. A Referral for Child Care – Children With Special Needs ([DCD-0093](#)) form completed by the appropriate staff listed above; or

The service delivery plan page of the Individualized Family Service Plan (IFSP), Individualized Education Program (IEP) or the Person-Centered Plan (PCP) to indicate that the child has special needs.

- c. All three (3) copies of the Provider Information Form ([DCD-0454B](#)) with the top portion of the form completed to indicate:
- (1) The name of the facility;
 - (2) The subsidized child care facility ID number (SCC ID#);
 - (3) The name and age of the child with special needs for whom the supplemental payment is requested; and
 - (4) The number of children with and without special needs enrolled in the facility.

4. Procedures for Approving a Supplemental Payment

- a. Determine whether the LPA is able to approve the supplemental payment by considering the following information:

- (1) Upon receiving all the documentation, the LPA may approve the supplemental payment if it is a one-time cost under \$1000 or a recurring cost under \$300 per month.
- (2) If the supplemental payment is a one-time cost of \$1000 or more or a recurring cost of \$300 or more, the LPA must obtain written approval from the Subsidy Services Consultant of DCDEE by forwarding copies of all the documentation in [Section III.F.3](#) above as well as an Approval of Supplemental Rate ([DCD-0094](#)) form.

The Subsidy Services Consultant will review and approve or disapprove the request for a supplemental payment and return the Approval of Supplemental Rate ([DCD-0094](#)) form to the LPA to be kept in the case record.

NOTE: Funding for payment of supplemental payment for these children should come from the special needs set-aside. If the set-aside funds are depleted during the year, regular subsidy funds are used to make the payment.

- b. Notify the Provider of the Amount of the Supplemental Payment
- (1) Enter the amount of the supplemental payment along with the effective date of payment on the Provider Information Form ([DCD-0454B](#)).
 - (2) Send copies of the Provider Information Form to:
 - (a) The provider;
 - (b) The coordinator from the Children's Developmental Services Agency (CDSA), local education agency (LEA); local public health department or local management entity (LME); and
 - (c) The person(s) in the LPA responsible for payment and/or reimbursement of the payment.

c. Documentation Requirements

- (1) Document in the client's record that the child has been identified as a child with special needs and that a supplemental payment has been requested and approved.
- (2) File the original copy of all forms in the client's record.
- (3) File a copy of the Approval of the Supplemental Rate form ([DCD-0094](#)) in the provider payment record.

NOTE: Approval Notices will not reflect supplemental payments.

Refer to [Appendix F](#) for information on codes to use when making payments for the supplemental payment.

5. Reviewing the Amount of the Supplemental Payment

The supplemental payment must be reviewed by the child care worker at least annually and new forms must be submitted even if the child's placement does not change. Copies of both the Child With Special Needs Additional Expense Documentation Form ([DCD-0454A](#)) and the Provider Information Form ([DCD-0454B](#)) must be mailed to the provider.

It is the responsibility of the provider to inform the LPA of any change in the child's status, such as a reduction in the number of hours attending or extended absence due to illness. If the change results in a reduction in the supplemental payment amount, the provider must complete a revised Child With Special Needs Additional Expense Documentation Form ([DCD-0454A](#)).

It is the responsibility of the child care staff to maintain on-going communication with the coordinator from the Children's Developmental Services Agency, local education agency, local management entity, or local public health department to assure that the child continues to meet the definition of a child with special needs and requires child care services.

IV. REVISIONS IN RATES

A. Rate Change Limitations

Providers are responsible for reporting changes (including both increases and decreases) in their private paying rates to the LPA. Changes in rates may be submitted to the LPA on the Private Paying Rates and Other Fees form ([DCD-0458](#)) or on a document that is dated and signed by the provider indicating charges to private paying parents and the effective date of the rates. The LPA staff will determine the allowable rate to enter into the SCC Reimbursement System by comparing the provider's private paying rate to the applicable star market rate and using whichever is lower. The LPA staff will need to make decisions about whether or not rate changes can be processed based on the policy stated below.

1. Limit on Number of Subsidy Rate Increases

A provider can only receive an increase in their subsidy payment rate once a year unless the increase in rates is the result of a provider receiving a higher star rated license. The time period for measuring the year is a calendar year (January through December). This means that if a change in a provider's private paying rate(s) is processed anytime this calendar year, then the earliest the next increase in private paying rates can be made effective for subsidy is the next January. If a provider only changes one (1) rate for a particular age group, that is considered the rate increase for the year. Providers should not submit rate increases more than three (3) months prior to the effective date.

If a provider receives a star rated license that is higher than the current license level, she may submit and receive an additional increase in subsidy rates up to the applicable market rate, if the charge to the