

Subsidized Child Care Assistance Program Policy Manual
Chapter 17. Payment Rates

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REVISED 6/30/2025

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 Assistance (SCCA) Program.

II. APPROVAL NOTICE

The Approval Notice is a form generated by NC FAST which identifies specific provider information such as age range, capacity, and maximum payment rate information. Refer to SCCA- Provider Manager: Provider Service Rate Management Job Aid for more information.

III. PAYMENT RATES FOR FACILITIES

The comparison of market rate to private rate is no longer required and the approved payment rate for child care facilities is the appropriate county market rate regardless of the facility's private rate.

A. Licensed Child Care Facilities

1. Licensed Child Care

The following child care facilities are paid the current county market rate associated with their star rated license. Refer to the Division's [website](#) for a listing of the current market rates.

- i. Licensed child care centers with three or more stars,
- ii. Licensed child care homes with three or more stars,
- iii. Licensed before and/or after-school programs with three or more stars.

NOTE: Facilities with a one or two star license are not permitted to participate in Subsidized Child Care Assistance.

2. New Child Care Facilities

New facilities who have been issued a temporary license will be paid the three-star market rate. In some circumstances a new facility may be

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issued a provisional license instead of a temporary license. If a new facility begins operation with a provisional license, the facility will be paid at the three-star market rate. Refer to Chapter 15: Approval and Enrollment Procedures for Licensed Facilities.

3. Religious-Sponsored Child Care Facilities

Religious-sponsored facilities choosing to operate under a Notice of Compliance (according to G.S. 110-106) without a star rated license will be paid the one-star market rate. Refer to Chapter 12: Licensing Requirements, Non-compliance and Sanctions for more information on religious sponsored facilities.

4. Out-of-State Facilities

Out-of-state facilities must be licensed and operating legally in the state where they are located to receive Subsidized Child Care Assistance. Refer to Chapter 15: Approval and Enrollment Procedures for Licensed Facilities for more information on requirements to enroll an out-of-state provider. Licensed out-of-state providers requesting Subsidized Child Care Assistance will be paid at the funding county's three-star market rate.

5. Department of Defense-certified Facilities

Department of Defense-certified child care facilities that meet requirements in G.S. 110-106.2 are exempt from licensing requirements. Subsidized Child Care Assistance will pay Department of Defense-certified facilities as follows:

- i. Department of Defense-certified facilities who are accredited by the National Association Education of Young Children (NAEYC) are paid at the five-star market rate.
- ii. All other Department of Defense-certified facilities are paid at the four-star market rate.

NOTE: Department of Defense-certified facilities located out of state are reimbursed according to i. and ii. above (at the four- or five-star market rate, based on whether they hold NAEYC accreditation or not) - rather than the three-star market rate of the funding county.

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Additional fees charged by providers are not reimbursable. If the provider's rate is more than the rate to be paid by the Local Department of Social Services (DSS) or Local Purchasing Agency (LPA) and the arrangement is the recipient's choice for the child, it is permissible for the recipient to pay the difference between the provider's rate and the rate paid by the DSS/LPA. This is allowed only if the recipient indicates a desire to do so. The DSS/LPA cannot require the recipient to pay the difference. If the recipient is unwilling or unable to pay the difference, the DSS/LPA must allow the recipient to select another provider.

NOTE: Parental fees are deducted from the provider's allowable rate to determine the amount of payment to be issued to the provider by the DSS/LPA.

B. Subsidy Payment Rates Based on License Status

There are times when a facility may be operating with a different type of license which may impact payments.

1. If the facility has a **change of location**, a temporary license is issued. The subsidy payment can continue at the same rate as the previous license.
2. If the facility receives a **provisional, probationary, or special provisional** license, the subsidy payment rate can continue at the same rate as the previous license.
3. If the program is already established and the facility has a **change of ownership**, a temporary license is issued. The new owner can receive the private paying rate up to the market rate for the star rated license that was issued to the previous owner. The Regulatory Services Section Licensing Consultant will inform the facility/provider during the first month that they have until the end of six (6) months to earn a star rated license.

C. Enhancement Payments

Enhancements are payments made to providers who meet requirements established by local partnerships for children, in addition to their payments

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received for caring for a child. Although they are drawn from the same Smart Start fund source, Smart Start enhancement payments are managed separately from Smart Start provider payments. Providers must meet specific requirements established by their county's local partnership to receive enhancement payments. A DSS/LPA Fund Manager configures county Smart Start Enhancement requirements based on provider star rating and service age group coverage identified in their current Memorandum of Understanding (MOU). Other enhancement configuration criteria include dates and amount of payment.

NC FAST manages enhancement payments by automatically:

1. Processing a roster for the service.
2. Generating enhancement payments to providers each month that the child attends the provider.
3. Generating a separate Service Plan item for each child for whom an enhancement payment is made.

Smart Start enhancement payments are paid through NC FAST based on provider star rating, provider type (home or center), and service age group coverage identified in their current Memorandum of Understanding (MOU). Enhancement payments are not prorated in NC FAST. Smart Start bonus payments will not be paid through NC FAST. Any Smart Start bonus payment that is to be paid will be administered through and paid by the local partnership through the Smart Start Reporting System (SSRS).

Local Smart Start partnerships may also approve the use of Smart Start funds to pay an enhancement. The enhancement is a dollar amount. 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 are only used for children 0-5 to support employment or education.

Refer to the Job Aid SCCA – Fund Manager: Enhancements.

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D. 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

- i. In order to authorize the special needs rate, the following criteria must be met:
 - a) The child must meet the special needs criteria defined in Chapter 6: Serving Children with Special Needs.
 - b) 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.
 - c) The provider must complete the cost study process in order to continue to receive subsidy payments as a Certified Developmental Day Center.
 - d) The DSS/LPA must receive a copy of the Individualized Education Program (IEP), Individualized Family Service Plan (IFSP), Personal Care Plan (PCP), or Section 504-reasonable Accommodation. The IEP, IFSP, PCP, or 504 must be completed and reviewed each year in order to continue paying the appropriate rate.
- ii. When the child qualifies for subsidy assistance, the DSS/LPA pays the net cost of care as shown on the

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Approval Notice for each child with special needs.

- a) 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 DSS/LPA pays the rate on the Approval Notice.
- b) 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 DSS/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 DSS/LPA can offer to 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 DSS/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 75% of the full-time school age rate on the Approval Notice if the child needs 50% or 75% care for before and/or after school care only (facility is closed during summer). The DSS/LPA may also pay a full-time rate for child care provided to school-age children at a Certified Developmental Day facility who only need care on school holidays, teacher workdays, and during summer vacation.

Certified Developmental Day Centers operating 12 months per year are subject to the blended rate policies. Certified Developmental Day Centers offering before and after, just before, or just after school care, plus summer/track-out, and at least one additional care feature (teacher workdays, holidays, inclement weather days) with a care plan of 100% will be paid at 83% of the facility's cost study rate for children who qualify for a blended rate.

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NOTE: Certified Developmental Day Centers are not eligible to receive Supplemental Payments for children with special needs.

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 DSS/LPA will pay the rate indicated on the Approval Notice for typically developing children.

Refer to Chapter 16 : Payment Policies for more information.

IV. SUPPLEMENTAL PAYMENT FOR CHILDREN WITH SPECIAL NEEDS

A. Supplemental Payments Overview

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 and 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. The approval of supplemental payments is subject to the availability of funds.

Providers requesting supplemental payments to purchase specialized learning materials, equipment or toys must be ordered to support the child with special needs for whom the supplemental payment has been requested. If purchasing equipment/toys from a catalog, providers must include a photo of the equipment/fine & gross motor toys along with the cost. Equipment is the property of DCDEE and must follow the child to whichever child care facility that child attends. The family has the option to donate the equipment to the current facility that purchased it should the child age out of its use.

Providers requesting supplemental payments to be used for hiring staff

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must include documentation showing the required qualifications of hired staff. Providers must also include a detailed explanation describing the plan of care the one-on-one teacher will provide for the child with special needs. Refer to Chapter 6: Serving Children with Special Needs. Additionally, Chapter 6 Attachment 1: Supplemental Payments Fact Sheet includes a list of those qualifications that are accepted. This Fact Sheet is to be used when requesting supplemental payments. Actual additional documented costs incurred by the provider must be based on the plan developed to meet the child's individual needs.

Examples of costs incurred by the provider, which may be covered by supplemental payments include, but are not limited to:

- Specialized learning materials or equipment,
- Additional staff, and
- 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.

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

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

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

B. Documentation Needed to Request a Supplemental Payment

The DSS/LPA must receive and verify the following documents to review the need for a supplemental payment.

1. Child with Special Needs Additional Expense Documentation (DCDEE- 0454A) form completed by the provider and representative that includes the following:
 - i. 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.

2. Verification of Special Needs

One of the following documents listed below must be provided to verify the child's special needs.

- a) Individualized Education Program (IEP),

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- b) Individualized Family Service Plan (IFSP),
 - c) Person-Centered Plan (PCP), or
 - d) 504 Reasonable Accommodation
- 3. DCDEE-0093 Referral for Child Care – Children with Special Needs form completed by the appropriate staff listed above in IV.B.1.
- 4. The Provider Information Form (DCDEE-0454B) completed to include:
 - a) The name of the facility,
 - b) The subsidized child care facility license number; and
 - c) The name and age of the child with special needs for whom the supplemental payment is requested.

C. Procedures for Approving a Supplemental Payment

Determine whether the DSS/LPA is able to approve the supplemental payment by considering the following information:

- 1. Upon receiving all the documentation, the DSS/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 DSS/LPA must obtain written approval from the Subsidy Services Consultant of DCDEE by forwarding copies of all the documentation in Section IV.B. above as well as an Approval of Supplemental Rate (DCD-0094) form.

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

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NOTE: Funding for supplemental payment for these children first comes 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 if there are sufficient funds to support the supplemental payment. Approval of supplemental payments is subject to availability of the county's funding.

D. Provider Notification of the amount of a Supplemental Payment

1. Enter the amount of the supplemental payment along with the effective date of payment on the Provider Information Form (DCD-0454B). Additionally, this evidence must be entered into NC FAST. Refer to the Job Aid: SCCA - Special Need Supplemental Payment Evidence.
2. Send copies of the Provider Information Form to:
 - i. The provider.
 - ii. The coordinator from the Children's Developmental Services Agency (CDSA), local education agency (LEA); local public health department or local management entity (LME); and
 - iii. The child care worker who is responsible for the case. The worker must upload to the case record/notes or file a copy if applicable.
3. Documentation Requirements
 - i. 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.
 - ii. File the original copy of all forms in the client's record.
 - iii. File a copy or upload, if applicable, the Approval of the Supplemental Rate form (DCD-0094) in the provider payment record.

NOTE: Approval Notices will not reflect supplemental payments.

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E. Annual Review of the Supplemental Payment Amount

The need for the requested supplemental payment must be reviewed and verified by the DSS/LPA 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 (DCDEE-0454A) and the Provider Information Form (DCDEE-0454B) must be mailed to the provider.

It is the responsibility of the provider to inform the DSS/LPA of any change in the child's status, such as a reduction in the number of hours the child is attending or extended absence due to illness. It is also the responsibility of the provider to provide a detailed explanation of why the one-on-one care is needed and any updated certifications or changes in the one-on-one staff member. 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 (DCDEE-0454A).

It is the responsibility of the DSS/LPA to maintain ongoing 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.

V. RATE CHANGES

The approved rate paid to child care providers is the market rate, regardless of the provider's private paying rate. Market rates vary by the county, the star rating of the facility and the age of the child served. There may be times when the approved rate that providers receive changes. Changes in provider payment rates are due to market rate increases or star rating changes.

A. Rate Entry into NC FAST

Providers will enter and submit their rates into the NC FAST Provider Portal. If an incorrect rate is entered and rates have been submitted, the provider cannot make corrections. The provider must contact their county's DSS/LPA Provider Manager to make any corrections that need to

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be made. Only the rate that was entered incorrectly can be corrected. The approved payment rate to providers is the county market rate, regardless of the rate entered into NC FAST by the child care provider.

B. Market Rate Increases

If there is an increase in market rates, providers will receive a new Approval Notice identifying the new approved payment rates. Providers do not need to take action to receive the new increased market rates.

C. Star Rating Increases

If a provider receives a higher star rated license, the provider will also receive the higher applicable market rate for the new star rating. The higher payment rate will be effective the first of the month after the higher star rating is effective.

D. Star Rating Decreases

Occasionally, a provider's approved rates decrease because the provider's star rating has decreased. If a provider's approved rate decreases due to a lower star rated license, the decrease in rates will take effect in the month in which the star level decreased.

E. Adding a Rate

If a provider extends their child care program to serve additional ages and shifts for which she had not previously reported a rate, these are not considered increases but an extension of a program. Therefore, these rates must be entered in the NC FAST Provider Portal. The effective date the rate will be added or established for the subsidy payment will be the date the rate is entered into the NC FAST Provider Portal. Therefore, it is important that a provider submits private paying rates for program changes prior to the change in their program.

If a provider intends to begin serving a new age group, such as infants, the provider must be licensed before subsidy will pay for that additional age group. If the provider was not already licensed to provide care for infants, the DSS/LPA would not be able to pay for the younger age children until the license has been changed by the Regulatory Services Section. The

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effective date would be based on the date the rates are entered but cannot be before the effective date of the license.

NOTE: School-age rates and care: Some facilities, though licensed to serve children through school-age, do not offer school-age care in their licensed facility, but offer school-age care in a room or building which is not licensed. In order for a child receiving subsidies to be served by the school-age program, the program must be licensed. The provider cannot legally report a rate for school-age care for their licensed program and then serve the school-age child with the children in the unregulated program. If subsidy funds are used for unregulated school-age care, repayment must be made.

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For additional information on policy described in this chapter please refer to:

SCCA Manual:

Chapter 12: Licensing Requirements, Non-compliance and Sanctions

Chapter 15: Approval and Enrollment Procedures for Licensed Facilities

Chapter 16: Payment Policies

NC FAST Job Aids:

SCCA – Calculating Provider Payments

SCCA – LPA Fund Manager: Enhancements

SCCA – Provider Change in Location

SCCA - Provider Manager: Provider Service Rate Management

SCCA - Special Need Supplemental Payment Evidence

SCCA Program Rules:

10A NCAC 10 .0203

Payment Rates For Subsidized Child Care