

## CHILD AND ADULT CARE FOOD PROGRAM (CACFP): ASSESSMENT OF SPONSOR TIERING DETERMINATIONS - 2015 (SUMMARY)

### Background

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 (Public Law 111-204) requires all Federal agencies to calculate the amount of erroneous payments in Federal programs and to periodically conduct detailed assessments of vulnerable program components. Approximately 117,000 Family Daycare Homes (FDCHs) provide federally reimbursable meals to children through the Child and Adult Care Food Program (CACFP). This report provides the 2015 national estimate of incorrect payments for the meal reimbursements. The assessment calculates both overpayments and underpayments for FDCHs that earn either Tier I (higher) or Tier II (lower) reimbursements depending on the location and circumstances of the child care provider or the participating children.

Tiering errors result in improper payments because misclassified family daycare homes do not receive the appropriate level of reimbursement for the meals and snacks provided to the children. The assessment also estimates the dollar amount of improper payments attributable to these tiering errors.

### Methods

To develop national estimates of 2015 erroneous payments in this program component, the assessment drew a nationally representative sample of 660 family daycare homes from 60 sponsors in 15 States.

The methodology for assessing tiering errors in 2015 is similar to that used since 2008. This method validates family daycare home tiering determinations by:

1. *Census verification* of geographic eligibility for Tier I by using a Census tool that matches the FDCHs' addresses with Census

data for block groups (CBG), tracts, and adjacent CBGs.<sup>1</sup>

2. *School verification* of geographic eligibility for Tier I by matching the FDCHs' addresses with free/reduced-price (F/RP) meal eligibility data for the five nearest schools (within a 5-mile, straight-line radius distance) using the National Center for Education Statistics' Common Core of Data, or using States' school data.<sup>2</sup>
3. For the FDCHs not verified in Steps 1 and 2, school districts were contacted to determine the school attendance areas for FDCHs based on addresses to ensure that at least one of the schools met the F/RP requirement.
4. *Verification of sponsors' documents* of tiering determinations for all Tier I FDCHs that were not verified via Steps 1-3, and for all Tier II FDCHs that appeared to be geographically eligible for Tier I based on school or Census data matches.

### Findings

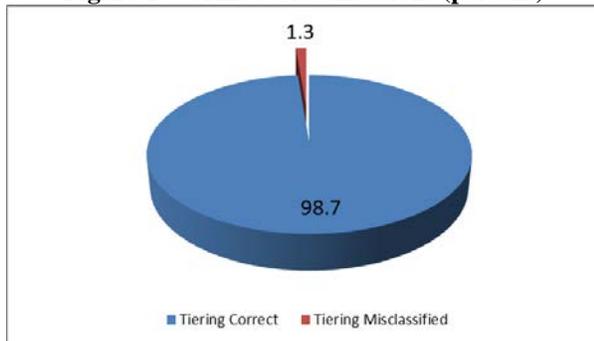
#### *Tiering Classification Error Rates*

Approximately 99 percent of family daycare homes nationally were correctly classified (Figure 1).

<sup>1</sup> In April 2014, FNS memo SP 38-2014, CACFP 10-2014, SFSP 15-2014 expanded geographic eligibility for FDCHs to include: an area where the weighted averaged percentage of eligible children in up to three adjacent Census Block Groups (CBGs), including the FDCH's own CBG, is 50 percent or more, provided that at least 40 percent of children in each of the combined CBGs are eligible. ([http://www.fns.usda.gov/sites/default/files/SP49\\_CACFP13\\_SFSP19-2014os.pdf](http://www.fns.usda.gov/sites/default/files/SP49_CACFP13_SFSP19-2014os.pdf)).

<sup>2</sup> In the absence of comprehensive school attendance data, this approach assumes that the correct school attendance area for the FDCH is captured by the five nearest schools

**Figure 1. Verified Classifications (percent)**

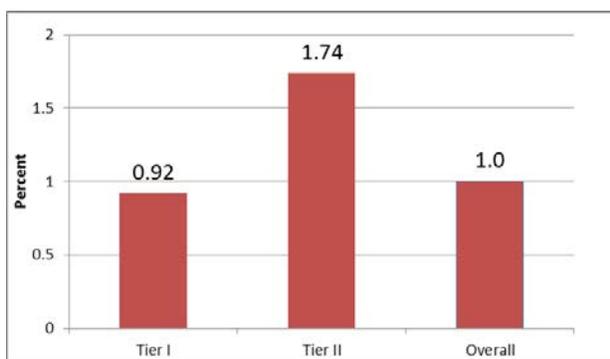


The study estimates the average 2015 tiering error rate at 1.3 percent, based on incorrect tiering for 0.9 percent of Tier I and 3.7 percent of Tier II FDCHs, respectively. This is a decrease from the 2014 rate of 1.6 percent, but is consistent with the range of annual rates observed over the previous 10 years.<sup>3</sup>

**Number of Improperly Reimbursed Meal Claims**

An estimated 1.0 percent of all FDCH meal claims were reimbursed at an improper rate, which represents 5.4 million meals. Meal claims reimbursed at improper rates ranged from 0.9 percent for Tier I to 1.7 percent for Tier II family daycare homes (Figure 2).

**Figure 2. Improperly Reimbursed Meal Claims (percent)**

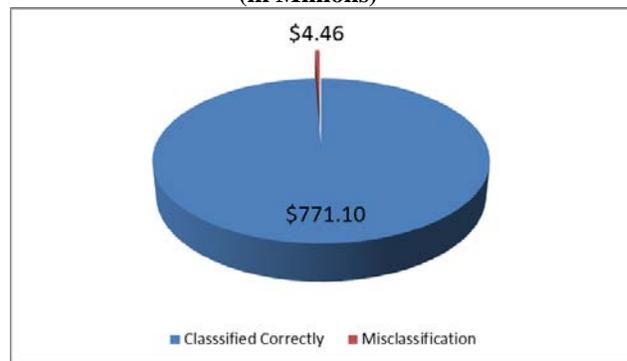


**Dollar Amount of Improper Payments**

<sup>3</sup> Tiering error rate is within the 95% confidence intervals for previous estimates.

The cost of improper payments due to tiering errors, or the improper payment rate, was 0.54 percent (0.47 percent for Tier I FDCHs and 1.83 percent for Tier II FDCHs) of the estimated \$771.1 million in family daycare home reimbursements for 2015. The estimated national cost of misclassification errors was \$3.37 million for Tier I FDCHs and \$1.09 million for Tier II FDCHs, resulting in a gross cost (overpayments and underpayments) of \$4.46 million for all FDCHs (Figure 3) and net cost (overpayments minus underpayments) of \$2.28 million.

**Figure 3. Gross Cost of Tiering Misclassifications (in Millions)**



**Comparisons to Previous Results**

The improper payment rate of 0.54 percent for 2015 is similar to the estimate of 0.84 percent for 2014 and not statistically different from estimates from prior years. The small variations in estimates of misclassification errors since assessments began are consistent with what would be expected in the presence of sampling error.

**For More Information**

A. Vinokurov, S. Sweet, E. Kimbuende, and M. Turner. (2016). Child and Adult Care Food Program (CACFP) Assessment of Sponsors’ Tiering Determinations: 2015 Final Report. Prepared by Optimal Solutions Group. Alexandria, VA: U.S. Department of Agriculture, Food and Nutrition Service. Project Officer: Chan Chanhathasilpa. Available online at: <http://www.fns.usda.gov/ops/research-and-analysis>.