



EMERGING PRACTICES



Rethinking Risk

An Innovative Approach to Reducing Childcare Liability Insurance Costs

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Background

Mia Pritts

- ▶ Early Care and Education consultant with 25+ years advancing policy, operations, and systems change
- ▶ Over 12 years of direct experience working in childcare programs
- ▶ 15 years leading business model, data, and technology strategy to stabilize the business of childcare



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Mark Parker

- ▶ President at Outlier Technologies and original author of SansWrite™
- ▶ 25+ years of experience working with Regulatory Agencies and Regulated Businesses throughout the US and Canada
- ▶ Former National Association for Regulatory Administration (NARA) Board Member, Treasurer and Chair of the Finance Committee



The Problem

The cost of childcare liability insurance is on the rise, and in some cases, insurance companies are dropping coverage for childcare providers that they believe present too much risk.

Access to high-quality childcare is declining, and in some states, regulatory agencies are loosening up regulatory requirements to help protect providers from losing coverage.

Root Causes

Insurance Premiums Based on Capacity

Changes to Statutes of Limitations for Child Abuse

Availability of State Regulatory Inspections

State Regulatory Inspections

It is common nowadays for insurance companies to reference state inspections posted on consumer education websites to determine the level of risk by simply counting the number of violations.

In many cases, inspections on consumer education websites are subjective and do not indicate the severity of violations, making risk assessment inconsistent and increasingly difficult.

State-funded Consumer Education Website

Proposed Solution for Consumer Education Websites

Increase the objectivity of state regulatory inspections by:

- Implementing universal scoring for individual inspections
- Monitoring an average score over time
- Tracking regulatory agency performance

Solution Components

- Weighting Regulations
 - Using the *Trisensus*[™] *Model*, regulatory agency, childcare program, and insurance industry representatives weight state regulations
- Universal Scoring
 - Using weighted regulations and the *InspectScore*[™] *Model*, score inspections and monitor average scores
- Tracking Inter-rater Reliability
 - Using the compliance average for each regulation, track inspector consistency and potential bias

Public Domain

The proposed solution involves engaging industry experts to solicit feedback and gain support for the Trisensus™ and InspectScore™ models.

Once the models and associated methodologies are finalized, they will be put in the public domain.

The terms Trisensus™ and InspectScore™ are being trademarked to maintain the validity of the models and methodologies.

Weighting Regulations

Why Relative Weighting?

It allows regulatory agencies to assign point values to regulations, score inspections, and clearly indicate the severity of violations

Providers	Regulation
Provider A	Parent Signatures
Provider B	Children Supervised

Violations	Likert Scale (1 to 8)	Fibonacci Scale (1 to 100)
8	$8 \times -1 = -8$	$8 \times -1 = -8$
1	$1 \times -8 = -8$	$1 \times -100 = -100$

Relative Weighting – Matrix

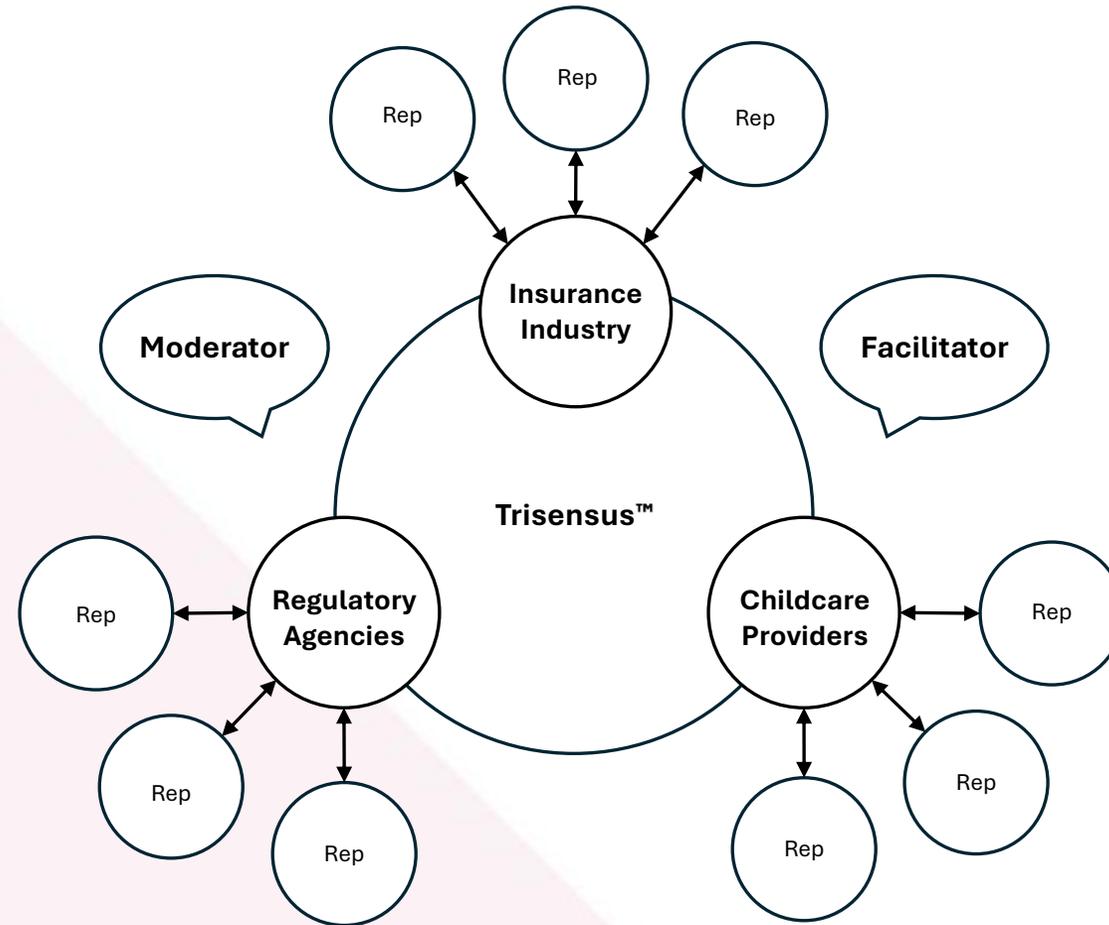
Weight each regulation on a scale of 1 to 100 using the matrix below as a guide.

Differential Risk		Risk Levels		
		Direct (Causality)		Indirect (Correlation)
		Mortality	Morbidity	Mortality/Morbidity
		High	Medium	Low
Probability (If a violation was to occur)	High	100	13	3
	Medium	40	8	2
	Low	20	5	1

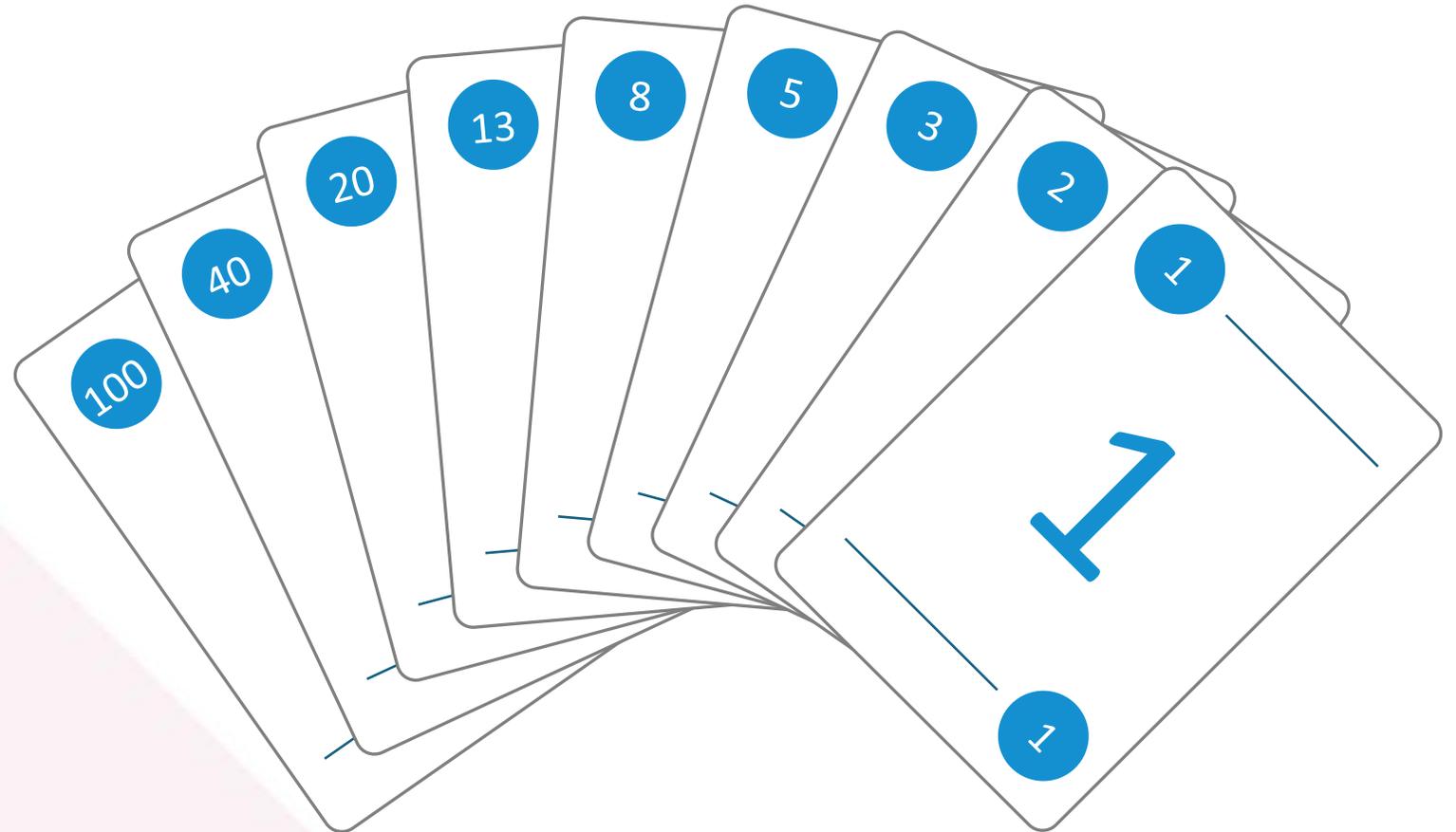
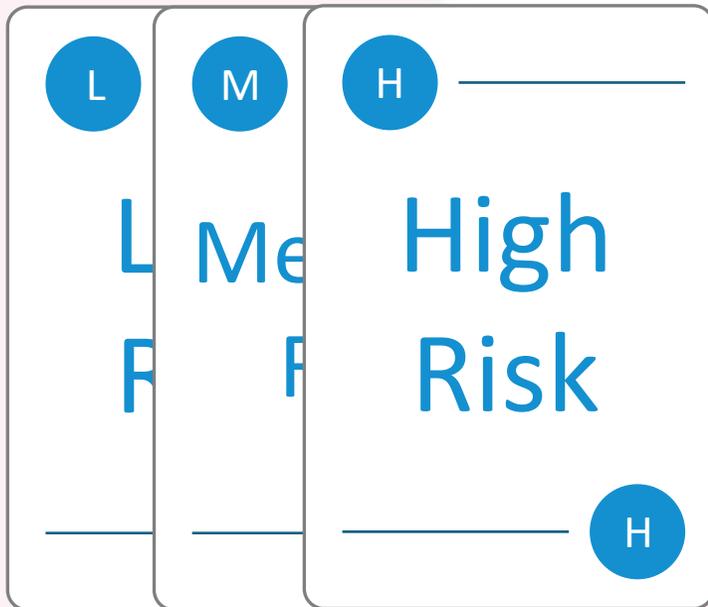
- 0 ----- Regulation is not cited
- ? ----- Questions or Discussion Needed

Trisensus™ Model

(State Workgroup)



Risk Levels and Point Values



Universal Scoring Model

Scoring Components

- Point Deductions
 - Weights assigned to regulations equate to point deductions, and a regulation's weight can only be deducted once per inspection
- Failure Point
 - The failure point is the maximum total points deducted before an inspection is considered a failure (100 points)
- Grading Scale
 - A letter grade scale that uses (ex. A = 90 to 100%, B = 80 to 89%, C = 70 to 79%, D = 60 to 69%, and F = below 60%)

Example Calculations – Letter Grade Low End

$$\text{Score} = ((\text{TP} - \text{TD}) / \text{TP}) * 100$$

Total Deduction = 23 | 90% - A

Total Deduction = 48 | 80% - B

Total Deduction = 74 | 70% - C

Total Deduction = 99 | 60% - D

Total Points (TP) = 249

Total Deduction (TD) = Sum of Point Deductions

Average Inspection Score

Rolling 3-Year Average

Comprehensive Inspections Only

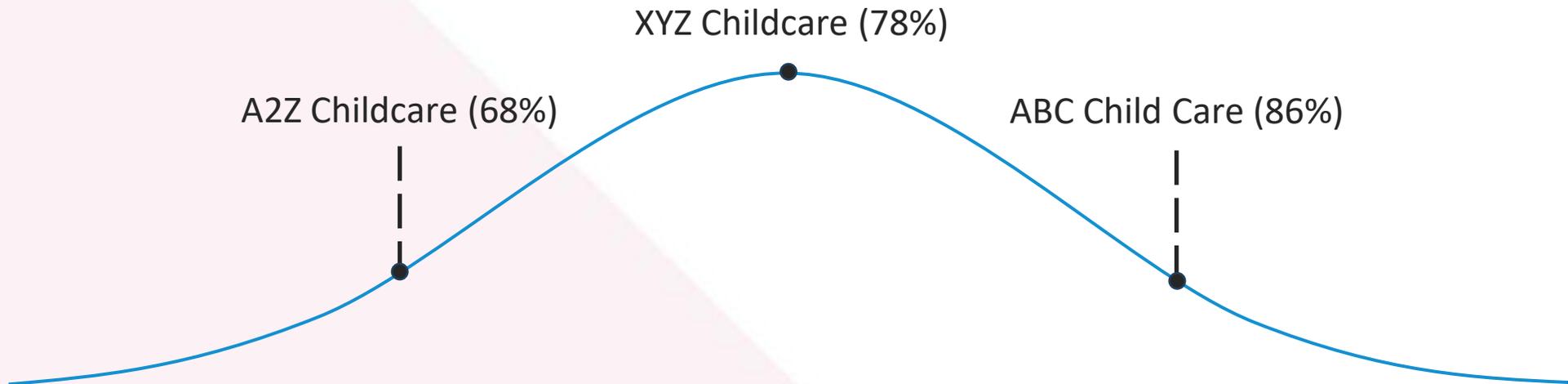
Sum of Inspection Scores / Total Comprehensive Inspections

Example Calculations – Average Inspection Score

ABC Childcare: $\text{sum}(82\%, 80\%, 86\%, 90\%, 92\%) / 5 = 86\%$ (B)

XYZ Childcare: $\text{sum}(72\%, 80\%, 79\%, 81\%, 82\%) / 5 = 78\%$ (C)

A2Z Childcare: $\text{sum}(62\%, 72\%, 66\%, 70\%, 71\%) / 5 = 68\%$ (D)



InspectScore™

InspectScore™

Relatively Weighting Regulations

Calculating an Inspection Score as a Percentage

Tracking a Rolling 3-Year Inspection Average

Inter-rater Reliability

Checking for Bias

B Gra

Potentially “Under” Citing

Regulation	Compliance	Non-compliance	Percent Compliance	Over/Under Agency Average	Not Inspected	Not Applicable
22(E) Children's Records	53	0	100%	31%	0	0
22(F) Personnel Records	44	5	90%	21%	4	0
22(G) Personnel Handbook	7	0	100%	0%	46	0
23(A) Personnel and Staffing Requirements	26	0	100%	4%	27	0

A Bri

Potentially “Over” Citing

Regulation	Compliance	Non-compliance	Percent Compliance	Over/Under Agency Average	Not Inspected	Not Applicable
22(E) Children's Records	8	15	35%	-34%	12	0
22(F) Personnel Records	11	23	32%	-37%	1	0
22(G) Personnel Handbook	1	0	100%	0%	34	5
23(A) Personnel and Staffing Requirements	33	1	97%	1%	1	0

Tracking Consistency Scores

Baseline State

Licensing Staff	Score
D Ort	3.82
R Gon	2.06
J Mar	1.80
R Gar	1.54
M Bar	1.16
C Gle	0.72
L Lea	0.65
L Fer	0.27
J Rob	-0.47
S Per	-1.04
A Hol	-1.62
J Ram	-1.86
M Que	-2.44
A Rom	-3.64
Z Mol	-4.10
A Bri	-6.37

Lenient

Consistent

Strict

Target State

Licensing Staff	Score
M Bar	0.88
R Gar	0.74
C Gle	0.56
D Ort	0.33
J Rob	0.18
J Mar	0.09
L Fer	0.08
A Rom	0.03
L Lea	-0.01
R Gon	-0.05
S Per	-0.20
Z Mol	-0.35
A Bri	-0.37
A Hol	-0.48
M Que	-0.53
J Ram	-0.73

Correcting for Inconsistency and Bias

Using Data to Drive Inspector Training

Randomly Assigning Inspections

Citing All Violations

Next Steps

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- Establish National Advisory Board
 - 9 people (3 from each group) meeting 4 times over the next 18-months to review progress, ask questions and provide feedback
- Execute Trisensus™ and InspectScore™ Models
 - Engage one or more childcare regulatory agencies (and stakeholders) to weight regulations, use weights to score inspections, and review scores and averages
- Generate Awareness and Education
 - Document and publish Trisensus™ and InspectScore™ models and associated methodologies, and share learning at conferences and seminars

Ways to Get Involved

Serve on the National Advisory Board

Attend National Advisory Board Meetings from the Gallery

Become a Test Site for Trisensus™ and InspectScore™

Comments | Questions | Feedback

Thank you!

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