



The Top Six Lessons from ARPA's Care Economy Investments

OCTOBER 11, 2023 – JULIE KASHEN, ANNA WADIA, CHOUA VUE, AND ALLISON COOK

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This is the third and final brief in our series, in partnership with the Care for All with Respect and Equity (CARE) Fund, looking at the impact of the American Rescue Plan Act (ARPA) and identifying best practices in implementation across three areas of the care economy—child care and early learning, paid family and medical leave, and home and community-based services (HCBS).

This brief follows two previous installments, which can be read at the following links:

[“Investing in the Care Economy Works: Learning from the American Rescue Plan”](#)

[“Implementing Care Policy Equitably: Lessons from the American Rescue Plan Act”](#)

The present brief outlines the top six lessons from ARPA learned by states around the country and from a cohort of national organizations supported by the CARE Fund. The goal is to inform future policy design and implementation in care policy and other areas, including infrastructure investments and industrial policy.

The top six lessons are the following:

1. Investing in the care economy works.
2. Equitable policy implementation is crucial and possible.
3. Incremental and innovative policy progress can set the stage for bigger success when funding becomes available.
4. Building and maintaining community engagement processes improves policy and builds power.
5. A holistic framework applied across care movements and strategies is impactful.
6. Robust, permanent funding is necessary for lasting impact.

The investments in care infrastructure through the American Rescue Plan Act (ARPA) included unprecedented resources to stabilize the child care sector; increased Medicaid payments for long-term supports and services provided to disabled people and aging adults in their homes and communities, otherwise known as home and community-based services (HCBS); and relief provided to states and localities, including for paid leave and related care needs. Specifically, the ARPA, and earlier COVID-relief funds, included the following:

This commentary can be found online at: <https://tcf.org/content/commentary/the-top-six-lessons-from-arpas-care-economy-investments/>

- More than \$50 billion for child care and early learning programs.
- Approximately \$12.7 billion dedicated to Medicaid home- and community-based services, on top of earlier Medicaid increases from COVID-19 relief packages that states could use for HCBS and a variety of other purposes.
- \$350 billion in state and local relief to meet state and local priority needs, a portion of which have been used for paid leave, paid sick time, child care, and home care purposes.

Lesson One: Investing in the care economy works.

As we noted in our first brief, the ARPA funds were a lifeline across the care economy and made clear what is possible when the federal government comes together with families, states, workers, employers, communities, and others to build the care infrastructure we all need. The historic lack of investment in care infrastructure means that even temporary investments make a big difference.

As Bryce Covert wrote about the child care funds in *The American Prospect*

The money has done precisely what it promised, keeping providers' doors open and children enrolled. But it also did something else: It served as a test run for what it would look like if the federal government decided to make a substantial, ongoing investment in child care and early-childhood education. And it proved that such an investment would work.

While, to date, more data is available about the child care investments than the other care policies, there has largely been a consensus across the policies: the care investments worked. They mitigated many of the negative impacts of the COVID-19 pandemic, including by helping more than 220,000 child care programs—many of which would have otherwise closed—continue to serve children. They helped stabilize both the HCBS and child care workforces by temporarily raising compensation rates.¹

The funds also supported families and family caregivers. Many states made more families eligible for child care assistance and lowered families' child care costs. Some states also increased self-directed and family caregiving opportunities for HCBS beneficiaries, and forty-eight states now allow legally responsible relatives to be paid caregivers, twelve more than in 2020. ARPA funds also supported the launch of Colorado's new paid family and medical leave program, which is one of the most progressive leave policies in the nation.

Lesson Two: Equitable policy implementation is crucial and possible.

An equitable care economy is one that helps dismantle the legacies of racism, slavery, xenophobia, sexism, ageism, and ableism that have devalued care. To be equitable, care systems and services must create good jobs and provide high-quality, universally affordable and accessible benefits and services to the full diversity of our families and communities. Care systems and services work best when they recognize everyone's interdependence and are rooted in respect and self-determination for all. The five key pillars of the CARE Fund's framework for equitable implementation can be represented by the acronym EQUAL, as laid out in our second brief:

- **Engage.** Are diverse stakeholders consulted and engaged throughout the planning and implementation process?
- **Quality.** Does implementation ensure high-quality care and high-quality care jobs, by putting the needs of both care consumers and paid and unpaid care providers at the center of policy design and implementation?
- **Uplift.** Does implementation uplift individuals and communities historically left out of services and programs by targeting interventions to the highest-need populations and geographies, through inclusive policy design and outreach, and tracking results?
- **Affordable and Accessible.** Are adequate resources available to ensure that high-quality care is affordable and accessible to everyone?

- **Lasting.** Do interventions have the robust and permanent funding needed for long-term, sustainable impact?

Using this framework it is clear that, despite the limitations of short implementation timelines, temporary funding, the challenges of the historic underinvestment across these policies, and the policy gaps that often come with legislative compromise, in many states, care advocates, unions, policymakers, and state administrators worked hard to achieve equitable implementation.

For example, reports from California, Colorado, and Illinois show that unions and those advocating for consumers weighed in on the HCBS plan design. According to one CARE Fund grantee, Arizona and Colorado engaged deeply with their state developmental disability councils to ensure that HCBS funding was equitably implemented. In New York, Louisiana, Michigan, and North Carolina, among other states, providers, parents, and other experts influenced the distribution of child care funds to help ensure greater equity. In Massachusetts, partnering with the Department of Early Education and Care, Strategies for Children hosted daily calls to keep the child care community engaged and informed and provided outreach in both English and Spanish, while the state ensured grant applications were in multiple languages. The New Mexico secretary for early childhood education did a listening tour across the state to talk to and hear directly from providers. In Massachusetts, diverse community members collaborated to establish the right to COVID-19 sick leave.

In states where policymakers and advocates had done prior work to make policy progress and build community engagement processes, the outcomes were more equitable, as reflected in lessons three and four.

Lesson Three: Incremental and innovative policy progress can set the stage for bigger success when funding becomes available.

Four examples where incremental and innovative policy progress set the stage for bigger success were HCBS in Illinois, the FAMILI Act in Colorado, mental health consultation as part of the child care program in Michigan, and New Mexico's child care ballot initiative.

In Illinois, prior work to make the case for a rate increase in HCBS to pay higher wages set the stage for more effective use of the ARPA funds. Illinois is one of a handful of states that has unionized portions of the home care workforce. In partnership with other advocates, their advocacy helped put Illinois into a good position to raise rates. The state had already done a 2020 rate study based on network and fair market rates and had begun to raise these rates after twenty years, but did not have the funds to finish the process. The ARPA funds helped to support implementing the remaining recommended increases to address workforce stabilization, and the state committed to ongoing funding for these rate increases as well.

In Colorado, having the FAMILI Act in place was key, so that when funds became available they could prepare for a successful program launch. Colorado passed paid family and medical leave through a ballot initiative in 2020, but additional steps were needed to finance it. In 2022, Governor Polis signed a financing bill into law and was able to use the ARPA state fiscal recovery funds to advance \$57 million to prepare to launch the program, including to hire staff, develop systems, and build capacity, so that the program can begin to offer benefits on time.

In Michigan, a collaborative effort among advocates, the lead agency, and the state legislature that began prior to the pandemic led to the allocation of additional federal relief funding for the Infant and Early Childhood Mental Health Consultation Program, which aims to positively develop children's social emotional, and behavioral health from birth

through age 5. Addressing mental health is a key part of providing high quality child care, and this was an important way to support young children and providers with mental health needs throughout the pandemic.²

In addition, in New Mexico, decades of organizing led to the successful passage of a ballot initiative to dedicate \$150 million a year to child care and early learning. This ongoing funding will help to sustain many of the changes New Mexico made with their ARPA funds, including making child care free for most families and raising wages by \$3 per hour for early educators.

The success of the ARPA policies and the ongoing community organizing and advocacy helped to keep progress on the care policy pillars a national priority. In April 2023, President Biden announced an executive order (EO) on “Increasing Access to High-Quality Care and Supporting Caregivers” that includes a comprehensive set of executive actions across care policies. It includes more than fifty directives to nearly every cabinet-level agency to expand access to affordable, high-quality care, and provide support for care workers and family caregivers.

This EO represents progress on its own and also demonstrates how incremental and innovative policy progress can set the stage for bigger success, especially when funding becomes available. In connection with the EO, the Centers for Medicare and Medicaid Services (CMS) issued a proposed rule that creates more transparency about and accountability for Medicaid payment rates that impact wages for direct care workers. While, ultimately, more funding for Medicaid will make higher wages possible, putting these policies in place now will help policymakers understand how to set fair rates. Similarly, the Department of Health and Human Services Administration on Children and Families issued a proposed rule that would ensure no family pays more than 7 percent of their income for Child Care Development Block Grant (CCDBG) copayments. Additional funding for CCDBG will make this policy even more effective and help avoid any challenging trade-offs. Again, beginning to implement the policies now will set up states, providers and others impacted to be in a better

position when additional funds become available.

Lesson Four: Building and maintaining community engagement processes improves policy and builds power.

Women, people of color, families, immigrants, disabled people, people without wealth or high incomes, and care providers are severely underrepresented in positions of power, including the government positions that influence policy investments. As a result, these groups are often underrepresented in policy design. Ensuring that diverse voices are represented in designing and implementing public policies provides a pathway to more equitable outcomes, and allows community members to build power to influence policy decisions on an ongoing basis.

In states and communities where prior work had been done to build community engagement structures and processes, ARPA implementation was more inclusive. For example, for HCBS implementation, states and cities with existing infrastructure, such as community advisory boards or unions, were better able to engage with stakeholders about how to spend the ARPA funds in equitable ways.

In the child care sector, multiple rounds of funding from earlier COVID-19 relief packages provided an opportunity to improve community engagement over time. In North Carolina, for example, a strong early childhood network was in place prior to the pandemic, including a public-private partnership of member organizations in every county. The network helped create strong communication channels connecting the Division of Child Development and Early Education (DCDEE) at the Department of Health and Human Services with providers. According to a senior official from DCDEE, stabilization grant outreach helped build on these existing relationships, creating an opportunity and infrastructure for “consistent communication between the state and the field that are not going to go away. That expectation is going to outlast COVID.”

Government and philanthropy can both play a role in supporting community engagement processes. For example, the proposed HCBS access rule mentioned above requires the state to form an “interested parties” advisory group to advise and consult with the Medicaid agency on current and proposed rates for direct care workers. This is an opportunity to engage impacted members of the community and establish community relationships, and engagement processes that could be beneficial over time.

In addition, according to research from the Center for the Study of Social Policy, prior to the pandemic, child care stakeholders in Michigan had little access to the governor’s office and communication to the field, if any, went through only one channel. After initial missteps in the first round of COVID-19 funding, state-based philanthropies facilitated “institutions of trust” between the state and providers, and the administration owned its mistakes and engaged as genuine partners with stakeholders by attending convenings regularly, as well as by being just a phone call away.

Lesson Five: A holistic framework across care movements and strategies is impactful.

Care is at the crux of systems of oppression by gender, race, age, ability, immigration status, and family structure. Building robust care systems and supports that are holistic can be a linchpin for unraveling these legacies of oppression. When those working to maintain the status quo silo the caring majority into those providing care versus those receiving it; those paid to care versus those not; the needs of children versus the needs of aging adults versus the needs of disabled people, it creates a scarcity myth and a fight for resources and helps maintain unfair power structures. The best response is to build a larger, cross-sectoral, multi-racial, and more mobilized base to grow the political will and cultural support for bold public investment in equitable systems that meet the needs of workers, families, and communities.

Use of a holistic framework is yielding results. Care policies have been central to national debates on economic relief and recovery. The CARE Fund grantees were instrumental in both advocating for historic levels of funding for child care and home care through the American Rescue Plan Act and working to ensure equitable implementation. The Biden administration’s care EO included unprecedented actions progressing the care agenda. All of these reflect the strength of a holistic care framework and the CARE fund grantees’ success in advocating for that framework. The movement is now organizing to hold federal agencies accountable to these child care, home care, and job quality commitments. Years of organizing and coalition building in states have resulted in a string of recent victories on child care, paid leave, home and community-based services, and care workers rights—with historic policy and implementation victories that raise the bar on equity in New Mexico, Minnesota, Maine, California, North Carolina, Washington, and many other states. These examples demonstrate how breaking down silos makes these issues, movements, individuals and advocates stronger together.

Lesson Six: Robust, permanent funding is needed for lasting impact.

As noted above, the ARPA funded care policies demonstrate what’s possible when the federal government partners with states and invests in care policies. More research and storytelling to demonstrate just how successful it was to invest significant federal dollars in care policies will help make the case for robust, permanent funding. In addition, the ARPA funding has inspired unprecedented state level spending on child care and early learning beyond New Mexico’s ballot initiative, from Alabama’s \$42 million increase in funding for child care and early learning to an additional \$45.5 million in New Hampshire.

Yet, even with these investments, the chasm between our current reality and what’s needed is significant. The Century Foundation has projected that 3.2 million children could lose their child care over time following the expiration of the ARPA child care stabilization funds. The need to

build a comprehensive child care and early learning system that supports our children's ability to thrive and parents ability to work and engage in other activities remains a priority.

The child care and HCBS staffing shortages are getting worse, and will continue to deteriorate with the end of the ARPA funds that helped increase compensation. As 10,000 people turn 65 every day and long COVID-19 increases the disabled population, the United States still has no plan in place for affordable long-term supports and services that provide quality jobs and quality care.

The United States is also still one of the only countries in the world without a national paid leave policy. Yet we know that families and the nation are strongest when we have time to heal from illness or injury, to welcome a new child, to help a loved one recover or ease their passing. Only 25 percent of U.S. workers have access to paid family leave through an employer and only 40 percent have access to short-term disability insurance. Nearly one in four employed mothers have returned to work within two weeks of giving birth and one in five retirees have left the workforce earlier than planned to care for an ill family member.

Our current laws aren't keeping up with the needs of our families or a twenty-first-century economy. At the same time we are missing out on vital economic opportunities. Robust, sustainable care investments would not only pave the way to progress on gender, racial, and income equality; they will also create and support millions of jobs, helping to advance inclusive and equitable economic prosperity.

Key Takeaways for Current and Future Policymaking

Congress and the Biden administration have passed three major relevant laws, the CHIPS and Science Act, the Infrastructure Investment and Jobs Act, and the Inflation Reduction Act, which are currently being implemented. The lessons from ARPA care policy implementation can inform the next steps for industrial policy. In particular,

creating, and building on, community engagement structures and processes and focusing on incremental and innovative progress can set the stage for bigger, more equitable, and long-term success.

We successfully put care policies in place at the height of the pandemic and demonstrated that they worked. Now it is time to invest in the universal publicly supported care infrastructure that will fuel economies, improve the well-being of kids and families, create millions of good jobs, promote equity, and enable people with disabilities and older adults to live independently with safety and dignity.

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Notes

¹ This is not to say that the funding solved everything. The child care sector lost about 20,000 programs, and child care jobs are still down from before the pandemic. HCBS workforce shortages have contributed to provider closures, and forty-four states reported a permanent closure of at least one Medicaid HCBS provider during the pandemic, up from thirty states in 2021. But these losses would have been much worse without the care investments.

² Conversation with CLASP Researchers.