TEXAS WORKFORCE COMMISSION
Workforce Development Letter

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Effective:	Immediately

To: Local Workforce Development Board Executive Directors
Commission Executive Offices
Integrated Service Area Managers

From: Reagan Miller, Director, Child Care & Early Learning Division

Subject: **Payment Adjustments for Child Care Service Providers**

PURPOSE:

The purpose of this WD Letter is to provide Local Workforce Development Boards (Boards) with guidance on implementing payment adjustments for Child Care Services (CCS). This includes requirements and procedures related to:

- permanent provider closures;
- cessation of care;
- tracking provider-reported cessation of care;
- provider transfers;
- schedule changes; and
- documenting payment adjustments.

RESCISSIONS:

None.

BACKGROUND:

The Texas Workforce Commission (TWC) began paying providers prospectively in March 2025, in accordance with Title 40, Texas Administrative Code, Part 20, Chapter 809, Child Care Services rule §809.93(j). Prospective payments ensure providers are paid in advance of, or at the beginning of, the delivery of child care services based on a child's monthly enrollment authorization. While this practice is more in line with the private pay child care market and is a stabilizing practice for child care providers that are predominantly small businesses, it introduces the potential for overpayments after care has ended or changed.

- **Two Providers Paid for the Same Care**
  Federal regulation 45 CFR 98.100(d)(2) prohibits paying two providers for the same hours of care for the same child. States may exercise flexibility by delaying the first payment to a new provider until the start of the next payment period or adjusting payments to providers following the change in a child's enrollment. In Texas Child Care Connection (TX3C), overpayments to providers for services not rendered are typically adjusted through a reduction in a subsequent payment.

- **Permanent Provider Closures**
  Unlike overpayments due to two providers being paid for the same care, for situations in which a provider ceases operations after a payment has been processed but before the service is delivered, the standard overpayment recovery process does not apply because the Board was unaware of the provider's closure at the time the payment was processed. Recovery of the funds must be processed outside of TX3C.

- **Child Stops Attending—Provider-Reported Cessation of Care**
  Additionally, child care providers must notify the Board if a CCS child is absent for five consecutive days without notice, and child care contractors must ensure that CCS schedules are adjusted in a timely manner if children are no longer attending care. Without a timely process, providers could continue to receive CCS payments for children who are no longer in care.

Because the implementation of prospective provider payments coincides with an increased focus on fraud prevention, Boards must ensure payment adjustments are timely, well-documented, and substantiated by accurate reporting from providers, parents, and staff.

PROCEDURES:

No Local Flexibility (NLF): This rating indicates that Boards must comply with the federal and state laws, rules, policies, and required procedures set forth in this WD Letter and have no local flexibility in determining whether and/or how to comply. All information with an NLF rating is indicated by "must."

Local Flexibility (LF): This rating indicates that Boards have local flexibility in determining whether and/or how to implement guidance or recommended practices set forth in this WD Letter. All information with an LF rating is indicated by "may" or "recommend."

Provider Transfers and Schedule Changes

NLF: Boards must not pay more than one provider for the same service dates and hours of care for the same child.

NLF: Boards must ensure payment adjustments reflect the updated schedule beginning on the effective date of change.

NLF: Boards must ensure that authorized schedules do not overlap if a child is transferred from one CCS child care provider to another in the middle of a payment period. Boards must ensure that two providers are not paid for the same period. Sponsors must work with their Workforce Solutions caseworker and wait at least two weeks for the transfer to take effect. As stated in B-302 of the Child Care Services Guide, exceptions to the two-week waiting period include:

- if a provider is subject to Child Care Regulation action;
- on a case-by-case basis as determined by the Board; or
- for the prohibition of transfer if a sponsor fails to pay the parent share of cost (PSoC).

Permanent Provider Closures

NLF: Boards must ensure that CCS staff immediately end schedules for all children associated with an inactive provider to halt the prospective payment process by taking the following actions:

- CCS prospective payments made to a provider who goes out of business are not considered fraud. However, these payments are classified as improper payments, and Boards are responsible for initiating efforts to recover these funds.
- Boards must reject any negative payment adjustments for the prospective payments made prior to the provider's end date and must not process them as paid.
- If the payments are processed as paid, the net negative total for the provider must be removed from the total dollar amount that the Board draws down in the Cash Draw and Expenditure Reporting (CDER) system.
- Board staff must create an accounting journal entry substantiating why the Board's CDER request exceeds the amount calculated by TX3C. This entry must document the provider closure, the amounts paid, and TWC's guidance that these amounts are not considered payments. Recovery of the funds must be processed outside of TX3C.

Child Stops Attending—Provider-Reported Cessation of Care

NLF: Boards must implement a standardized process for receiving, tracking, and monitoring provider notifications of children who unenroll or cease attending. For example, Boards may use a centralized email inbox and a shared tracking method, such as a centralized spreadsheet, to log provider reports and staff actions.

LF: It is strongly recommended that Boards enhance provider notification and tracking processes by developing an online reporting form that automatically populates a secure tracking spreadsheet or database while ensuring private and sensitive data remains protected. TWC Child Care & Early Learning program assistance staff are available to provide technical assistance on approaches for creating such systems.

NLF: The Board's process for tracking provider reports of children who unenroll or cease attending must include the following requirements:

- Staff must respond to provider notifications within three business days to confirm receipt and provide the status of the resolution.

- If the matter cannot be resolved within three business days, staff must communicate the anticipated next steps and include a point of contact for escalation should the provider not receive a status update within the specified time frame.
- Boards must ensure that a corresponding note is entered into the case management system under the provider's profile to document the change.
- Boards must inform staff that in accordance with the CCS Provider Agreement, providers are required to report whenever a child has been absent for five consecutive days with no notice or contact.
- Boards must inform staff that prospective payments issued for this five-day period, occurring prior to a report of cessation of care, are not considered overpayments. The provider retains the payment for these days.
- Boards must ensure CCS staff initiates the process to end care and contact the parent to verify the absences within one business day of receiving the provider notification. Upon parent confirmation that care is no longer needed, the child's schedule must be ended effective the next scheduled day of care, and the provider must be notified.
- Boards must inform staff that if a parent fails to respond within three business days and the child is still not attending, staff must end the schedule effective the next scheduled day of care and inform the provider.

Documentation and Monitoring

NLF: Whenever a schedule is ended, Boards must require staff to enter an explanation for the provider in the comment section of the Notice of Action (NOA). The note must use clear, plain language to explain why the schedule ended and how payments will be adjusted.

> **Sample of Provider Note Language:** Schedule ended effective [date of the last day in care or five scheduled days from the last day in care]. [Name of child] is no longer attending. Please note that if there have been any payments made for days after [date of the last day in care or five scheduled days from the last day in care], there will be an adjustment to recapture the funds paid.

NLF: Boards must document all payment adjustments in TX3C: KinderTrack, including:

- the reason for adjustment;
- the effective date; and
- supporting documentation, if applicable.

NLF: Payment adjustments must not be categorized as the providers' fault unless evidence of fraud or intentional program violations exists.

INQUIRIES:

Send inquiries regarding this WD Letter to childcare.programassistance@twc.texas.gov.

ATTACHMENTS:

Attachment 1: FAQ Protocols for Reporting Children No Longer Receiving Care

REFERENCES:

89 Fed. Reg. 15366 Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF)

Title 40, Texas Administrative Code, Part 20, Chapter 809, Child Care Services Rules
Texas Workforce Commission Child Care Services Guide
Texas Workforce Solutions Parent Change Request—Standard Application