

## Conclusion

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The tiered reimbursement structure introduced by the PRWORA affected CACFP sponsors in two ways. First, sponsors were assigned new responsibilities that were necessary to implement tiering, including the classification of homes as Tier 1 or 2 and the determination of individual children's eligibility for Tier 1 reimbursement in Tier 2 homes. Second, because tiering reduced the participation incentive for Tier 2 homes, it changed the context in which sponsors recruit and serve CACFP providers.

This study documents some of the ways that these changes have affected sponsors and ways that the sponsors have responded in the first 2 years of tiering. It leaves unanswered some important questions about the longer-term consequences of the changes.

The analysis indicates that tiering's effect on sponsors has been quite pervasive, with few if any sponsors not significantly touched. The least affected would be those sponsors serving populations or catchment areas in which all providers could readily be classified as Tier 1 on the basis of elementary school area. This group amounts to less than a fifth of all sponsors and, because they tend to be quite small, they account for a very small fraction of all CACFP homes. All of the sponsors surveyed have at least one Tier 1 home and around two-thirds use more than a single method of tier classification. Three-quarters of sponsors have some Tier 2 homes and are therefore affected by the change in participation incentives for those homes. Most sponsors with Tier 2 homes have one or more that receive some meals reimbursed at the Tier 1 rate.

Sponsors generally perceive that tiering has increased both the amount and the difficulty of their CACFP work. Almost three-fourths said that their staff time devoted to CACFP has increased since tiering, though more than half saw their number of homes decline. Most reported that they have increased the frequency or duration of their provider training and likewise their monitoring visits. More than half reported that they had changed their organizational focus in some way, most commonly to step up recruiting efforts.

The results of the survey suggest that sponsors' average costs per sponsored home may have increased because of tiering. Whether this is true, and whether such an increase creates an imbalance between sponsors' costs and their administrative reimbursements, cannot be determined from the data obtained in this study. It is an important question, however, because the long-term viability of the sponsor role in the CACFP depends on that balance. The question is now being addressed in a study recently initiated by ERS, the CACFP Administrative Cost Reimbursement Study.