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FOR IMMEDIATE RELEASE

January 5, 2026

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HHS to Close Biden-Era Loophole That Let States Pay Child Care Providers Without Counting Attendance

WASHINGTON — January 5, 2026 — The U.S. Department of Health and Human Services (HHS) through its Administration for Children and Families is rescinding a series of Biden-era child care rules that required states to pay providers before verifying any attendance and before care was delivered. The change will roll back provisions in the 2024 Child Care and Development Fund rule that weakened oversight and increased the risk of waste, fraud and abuse in federally-funded state child care — including programs now under investigation in Minnesota.

“Congress appropriated this funding to support working families and ensure children have safe places to grow and learn,” **said Health and Human Services Secretary Robert F. Kennedy, Jr.** “Loopholes and fraud diverted that money to **bad actors** instead. Today, we are correcting that failure and returning these funds to the working families they were meant to serve.”

The Biden-era rules required states to base payments on enrollment rather than verified attendance, pay child care providers in advance of services, and favor guaranteed contract slots with providers over parent-directed vouchers.

Under HHS’s rule changes:

- **Attendance-based billing will be restored.** States may require payment based on verified attendance rather than enrollment alone.
- **Upfront payments will no longer be required.** States may again pay providers after care is delivered.
- **Voucher flexibility will return.** States are no longer steered toward contracts over parent-directed vouchers, restoring parental choice.

“Paying providers upfront based on paper enrollment instead of actual attendance invites abuse,” **said Health and Human Services Deputy Secretary Jim O’Neill.** “In Minnesota, we’ve seen credible and widespread allegations of fraudulent daycare providers who were not caring for children at all. The reforms we are enacting will make fraud harder to perpetrate.”

“When controls are not in place, bad actors can bill for children who aren’t there,” **said Assistant Secretary for Family Support Alex Adams.** “Families and taxpayers deserve proof that services are being delivered to children. These rule changes emphasize the critical role federal investments in child care play for the American workforce.”

The Biden-era rule changes are subject to a 30-day public comment period.

HHS continues to strengthen oversight of child care programs nationwide: activating a national Defend the Spend system and imposing additional verification requirements on all states, and launching a dedicated fraud-reporting hotline and

email address at childcare.gov <<https://childcare.gov>>. Since the tip line launched on December 30, 2025, the Administration for Children and Families has received more than 245 reports of potential fraud.

HHS will continue working with states to ensure child care programs protect children, serve eligible families, and responsibly steward taxpayer resources.

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