



Senate

General Assembly

File No. 552

February Session, 2004

Senate Bill No. 546

Senate, April 13, 2004

The Committee on Appropriations reported through SEN. HARP of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING THE RATES PAID BY THE STATE TO PRIVATE PROVIDERS OF CERTAIN STATE SERVICES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2004*) On or before September first
2 of each even-numbered year, the Secretary of the Office of Policy and
3 Management, in consultation with the head of each budgeted state
4 agency responsible for services related to health and hospitals, human
5 services, education and correction, shall prepare a report which
6 compares, for the previous biennium, the rates and the rate increases
7 paid by the state to private providers of such services to the
8 compensation and compensation increases paid by the state to state
9 employees providing the same or similar services. Such report shall be
10 included in the budget document transmitted by the Governor to the
11 General Assembly pursuant to section 4-71 of the general statutes and
12 any funding necessary to provide a rate increase to such private
13 providers that equals the mean average increase paid to such state
14 employees for the previous biennium shall be included in the

15 recommended appropriations for each affected agency and in the state
16 budget act passed by the General Assembly for the ensuing biennium.

This act shall take effect as follows:	
Section 1	<i>July 1, 2004</i>

APP *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note and Bill Analysis

SB-546

AN ACT CONCERNING THE RATES PAID BY THE STATE TO PRIVATE PROVIDERS OF CERTAIN STATE SERVICES.

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$	FY 07 \$
Various	GF - Cost	None	Significant	Significant

Note: GF=General Fund

Municipal Impact: None

SUMMARY:

The bill requires that on September first of each even numbered year, the Office of Policy and Management in consultation with the various state agencies relating to health and hospitals, human services, education and correction prepare a report which compares, for the previous biennium, the rate increases paid to private providers to the compensation increases paid to state employees providing the same or similar services. The bill requires the Governor’s budget document to include funding necessary to provide for a rate increase to private providers equal to the mean average increase paid to state employees for the previous biennium. The bill further requires the state budget as passed by the General Assembly to include such funding (thereby linking future rate increases for private providers to the compensation increases of certain state employees).

EFFECTIVE DATE:

July 1, 2004

FISCAL IMPACT

Reporting Requirement - The Office of Policy and Management, along with the various state agencies, will be able to prepare the report required by the bill within existing resources.

Funding Requirement - The bill requires that necessary funding be provided in the Governor's Recommend Budget and in the budget passed by the General Assembly. Based on the bill's provisions and effective date, this would first apply to FY 06 and FY 07 (2005 - 2007 Biennial Budget). Although the report is to include a comparison of the compensation paid to specified state employees and rate increases paid to private providers, the funding requirement identified in the bill for private providers does not reflect the comparison of such increases but only reflects the state employee compensation increases.

Funding Requirement on Future Budgets - Appropriations reflected in the Biennial Budget as passed by the General Assembly would establish the level of funding for private providers (and reflect a percentage increase) therefore the actual fiscal impact of this bill is unknown until such time that the 2005 - 2007 Biennial Budget (FY 06 and FY 07) is passed. The bill places direct funding requirements on future budgets.

Impact of Compliance With Intent of Bill - To the extent that future budgets passed by the General Assembly include the funding necessary to reflect the intent of the bill, then a significant cost would result to the agencies that currently contract with private providers. Private provider contracts are currently over \$1 billion.

It is anticipated, based on the bill's provisions, that the FY 03 and FY 04 biennium state employees' rate increases (for employees providing the same or similar services) would be applied to the private provider estimated contracted amount to be reflected in the ensuing biennial budget. If the rate increases paid to state employees includes both the annual general wage increase (GWI) and average statewide annual increment (AI) then the increases applied would be the FY 03 increase of 4.5% (GWI - 3.0% and AI - 1.5%) and the FY 04 increase of 4.0% (GWI - 2.5% and AI - 1.5%). The annual increment may vary due to some employees being at the maximum step in the salary range, therefore an average is assumed.

The table below reflects the total increase for FY 03 of 4.5% applied in FY 06 and the FY 04 increase of 4.0% applied in FY 07. To the extent that the increases are applied to 100% of the contracted amount then \$47 million in FY 06 and \$43.6 million in FY 07 costs would result. However, if the increase is applied to just the personnel costs of the

contracted amount (estimated at 80%) then \$37.6 million (FY 06) and \$34.6 million (FY 07) would result.

	<u>FY 06</u>	<u>FY 07</u>
% Increase	4.5%	4.0%
Increase on 100% of contracted amount	\$46.9 million	\$43.6 million
Increase on 80% of contracted amount	\$37.6 million	\$34.6 million

The out-year impact of the bill would also result in significant costs due to the bill’s provision of indexing the previous biennium’s increase to the next biennium budget. The budgeted FY 04 and FY 05 state employees’ average wage increase was 4.0% and 4.5% respectively, for employees named in the bill.

BACKGROUND: PRIVATE PROVIDER COLA’S

Cost of living adjustments (COLA’s) have impacted most private providers under contract with the Departments of Mental Health and Addiction Services, Mental Retardation, Children and Families and Correction; the Judicial Department, the Board of Parole and the Council to Administer the Children’s Trust Fund. The budgeted private provider COLA was 3.5% in FY 02 and 1.5% in FY 03 (annualized). There was no additional funding provided in the 2003 - 2005 Biennial Budget (FY 04 and FY 05) for a private provider COLA in FY 04. However, sHB 5033 “AA Making Adjustments to the State Budget for the Biennium Ending June 30, 2005 and Making Appropriations Therefor” (as favorably reported by the Appropriations Committee) includes funding in FY 05 to supplement existing funding to provide an estimated 1.5% COLA for private providers (effective 10/1/04).

COMMITTEE ACTION

Appropriations Committee

Joint Favorable Report
 Yea 48 Nay 1