



Community Providers Association
Caring for Connecticut.

March 23, 2009

To: Government Administration and Elections Committee

From: Terry Edelstein, President/CEO

Re: H. B. No. 5824 (COMM) AN ACT CONCERNING THE PAYMENT OF
PERSONAL SERVICE AND PURCHASE OF SERVICE CONTRACTS

Please accept this testimony in support of H.B. No. 5824 (COMM) AN ACT CONCERNING
THE PAYMENT OF PERSONAL SERVICE AND PURCHASE OF SERVICE CONTRACTS.

The Connecticut Community Providers Association represents organizations that provide services and supports for people with disabilities and significant needs including children and adults with substance use disorders, mental illness, developmental, and physical disabilities. Our members hold Purchase of Service contracts through all of the human services state agencies.

We support Section 1 (1) of the bill that speaks to timely issuance and processing of state contracts. If the contracts are issued and processed in a timely way, it makes it more likely that payments can also be generated in a timely way. DDS, DMHAS and DCF staff make tremendous effort to issue contracts for the years beginning July 1 as early in the year as possible. While these and all the other state agencies must wait for approval of a state budget before final execution of contracts, these state agencies issue contract paperwork far in advance of the start of the fiscal year. By the time the budget is adopted, the state agencies are prepared to issue final contract documents. Payments follow rapidly in the new fiscal year.

Some other state agencies seem to have a backlog of contracts to issue. As a result the contracts are not issued in a timely way, contract execution drags out over several months, and first payments on the contracts may not be received until six months or later into the fiscal year.

There are several potential remedies that might speed up the process:

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- ♦ The state agencies can develop an approval process with the Attorney General's Office to approve similar POS contracts "in bulk" rather than one at a time.
- ♦ The state agencies can issue the preliminary contract documents at least three months prior to the start of the contracting cycle so that the service provider can execute the contracts during that period, not after the funding cycle has begun.
- ♦ Funding levels can remain the same as in the previous fiscal year for the first quarter with a contract amendment providing for "catch-up" later, allowing the state budget process to proceed at its own pace without creating a delay in contracting.

We strongly support provisions in the proposed legislation that require state agencies to pay community provider agencies in a timely way for services rendered. We have a technical suggestion since some human services contracts are paid on a "prospective" basis. We recommend that the legislation be amended to read:

Section 1 (2) a requirement that the state contracting agency pay the contractor any amounts due under such contract, for services rendered, **OR IN THE CASE OF A PROSPECTIVE PAYMENT ARRANGEMENT, FOR SERVICES BILLED** not later than...

Delayed payments create an untenable cash flow situation, in which services have been provided to consumers, wages and benefits for employees have been paid or committed, but the community provider organization is compelled to "upfront" the cash until state payment is received. This results in accessing lines of credit and paying interest on loans for funds that should have been paid by the state. *In this year of financial hardship, as lines of credit have been reduced and costs for accessing funds have been increased, timely payments by the state are even more critical. Our members are already concerned that a budget impasse may force them to eliminate their minimal reserves at the same time that they have limited access to credit.*

Payment delays exacerbate the already existing crisis in funding shortfalls for community providers, as contracts from the state don't cover the "cost of services" and as community providers are facing three years in a row of a 0% "increase" in funding.

Thank you for considering these comments.