

September 3, 2009

To: Public Health Committee and Human Services Committee Members

From: Terry Edelstein, President/CEO

Re: Informational Forum on Privatization and Community Provider Services

I appreciate the invitation to speak with you today about privatization and community provider services.

Who Do We Serve?

Connecticut community providers serve more than 500,000 of the state's most vulnerable residents. Our services support people with disabilities and other significant needs including children and adults with mental illness, substance use disorders, developmental and physical disabilities.

The missions of community provider agencies vary but the themes are similar: helping individuals with significant challenges reach greater independence, personal satisfaction, optimal potential, become contributing members of society, prevent and overcome addictions, achieve employment goals, all in community-based locations. A brief selection of mission statements:

- "To Help Each Person Achieve His or Her Personal Best as we encourage and support a greater level of independence and personal satisfaction for each person that we support."
- "To assist people with intellectual, developmental and cognitive disabilities to reach their full potential and become contributing members of society, to advocate on their behalf and to develop, procure or provide services to address their needs and desires."
- "To improve the quality of life of the people we serve by providing comprehensive, effective, and efficient mental health and addiction services."
- "To provide **HELP** and instill **HOPE** for individuals, families and organizations working to overcome and prevent addictions, co-occurring disorders and associated problems."

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- “To provide a comprehensive range of outpatient mental health, addiction, community support and home-based services for children, families and adults.”
- “We are dedicated to reducing emotional suffering and dysfunctional behavior and to helping each individual achieve optimal potential.

Deinstitutionalization and Community Services

The issue your Committee is considering shouldn't be fashioned as a debate between state run and community provider services. This shouldn't be an issue of union vs. non-union service provision. In fact, a number of private provider agencies have union contracts. This isn't a Republican or a Democratic issue. What we should all be looking at is the best way to support people with disabilities so that they can live independent or supported lives in the community.

Most services for people with disabilities are currently provided by the private sector. Community providers currently operate 778 of the 873 group homes licensed by DDS. DDS licensing reviews both settings and keeps statistics on plans of correction and other quality indicators.

Private nonprofit providers provide 86% of the substance abuse treatment in Connecticut, while 6% of the services are provided by private for-profit organizations, according to a 2009 Program Review Committee study.

Connecticut has been a major player in the deinstitutionalization movement through policy direction shifts, spurred on by legal challenges, with the closure of Mansfield Training School in 1993 and the later closure of Fairfield Hills and Norwich Hospitals. We have seen the successful transition of individuals with disabilities into the community and these individuals are living full, integrated lives with the supports of their families, friends and community provider agencies.

Chronic Underfunding

And yet, the community provider system has been under-funded for many years. While we are relieved at settlement of the state budget for FY10/FY11 and we appreciate the support of so many of you to “hold harmless” community-based services and supports, three years with no increase is putting undue strain on a system established to help those in need.

I've attached our "Compounded COLA vs. Compounded CPI and Medical CPI" chart that shows twenty years of private provider Cost of Living Adjustments compared to other indices. This printed chart is updated to October 2008. Over the past year, despite the downturn in the economy, the compounded Medical CPI has increased from 197.2% to 206.8%. The compounded CPI had risen from 96.2% to 102.9% as of July 2008, but as you know, that statistic has declined in the past year. But the line representing the private provider Cost of Living Adjustment has remained flat at a compounded increase of 33.16% for over twenty years. 33.16% vs. 102.9% vs. 206.8%. This is a huge gap between the cost of providing services and government reimbursement.

Steps Taken to Continue to Provide Services

When addressing three years in a row with no increase in funding, community providers identified a number of steps that they have taken or planned to take in order to remain in business and continue to provide services to their primary constituencies – consumers and families. According to our March 2009 analysis, 98% of community providers were delaying building and technical upgrades and maintenance. 80% were keeping positions vacant, delaying hiring and eliminating positions. But the net impact of keeping positions open is that 63% of the agencies have or are planning to reduce service and 40% anticipate a delay in serving clients.

With these cost saving measures, community providers have continued their operations, providing services in their local communities.

Cash Flow and Timely Payments

Prompt payment is a huge issue for community providers. Now that the state budget is ready to be implemented, I've had a host of calls and emails from providers asking when they will receive their next contract payment and when they will receive retroactive payment for the July and August cuts that were included in the Governor's Executive Orders. Approximately 50% of private provider agencies are one or two payrolls away from having to access lines of credit, and with the July and August payment reductions, these lines have been tapped. Based on responses from the state agencies to my inquiry about payment, there is still some "budget unraveling" to

do to make sure providers are paid for the services they provided in July and August at full funding.

Quality Standards and Corporate Compliance

As your Committees have identified, there is a challenge in providing services in the community in a time of constrained resources. Through this difficult time, community providers continue to provide quality services. They are licensed by state agencies. DDS providers must be designated an “approved qualified provider” in order to provide services for the agency. DMHAS providers must be credentialed to provide services under the Home and Community Based Services (HCBS) Money Follows the Person (MFP)/ Mental Health Waiver. Community providers are monitored for contract compliance, consumer satisfaction and quality assurance. This past year alone both DCF and DMHAS have instituted new quality assurance and data reporting systems. The OPM Cost Standards, a financial monitoring system, have been in effect for two fiscal years. Community provider agencies are audited by DSS for Medicaid compliance and by the federal government for corporate compliance under Medicaid and Medicare. All nonprofit organizations above a financial threshold must file an annual 990 accounting report that is posted on line. Many agencies have received national accreditation.

Long Term Strategic Planning

We encourage the Legislature to develop long term solutions that support people with disabilities and significant challenges in the community, such as that included in HB 6609 An Act Establishing a Community Based Services Commission considered during the 2009 session. We have discussed budget implementer language that would put such a Commission in place in order to “study and make recommendations...concerning a long-term funding solution for community providers under purchase of service contracts.” We worked on this proposed amendment with the support of the labor unions. I’ve attached proposed language that was approved as an amendment to HB 6609 by the House on June 3, 2009.

We invite to visit your local community provider agencies and to speak with parents and consumers about their satisfaction with their services. This is the best way to make decisions about the shape of the service delivery system.

**AN ACT ESTABLISHING A COMMUNITY-BASED SERVICES COMMISSION
AND A GRANT PROGRAM FOR NONPROFIT ORGANIZATIONS.**

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

Section 1. (*Effective from passage*) (a) There is established a commission on community-based services. The commission shall consist of (1) the Secretary of the Office of Policy and Management, or the secretary's designee, the Commissioners of Developmental Services, Mental Health and Addiction Services, Children and Families, Social Services, Higher Education and Economic and Community Development and the Labor Commissioner or the commissioners' designees; (2) the cochairpersons of each of the joint standing committees of the General Assembly having cognizance of matters relating to appropriations, finance, human services, public health, government administration and elections and labor, or the cochairpersons' designees; (3) two members appointed by the Governor, one of whom is a provider of social services for children or adults with disabilities, and one of whom is a parent of a child or adult with disabilities; (4) one member appointed by the speaker of the House of Representatives who has knowledge in the area of social services for individuals with disabilities; (5) one member appointed by the president pro tempore of the Senate who has knowledge of the labor market; (6) one member appointed by the majority leader of the House of Representatives who has knowledge of economics; (7) one member appointed by the majority leader of the Senate who has knowledge of Medicaid policy; (8) one member appointed by the minority leader of the House of Representatives who has knowledge of bonding; (9) one member appointed by the minority leader of the Senate who has knowledge of purchase of service agreements or education; (10) two members appointed by the chief executive officer of the Connecticut Community Providers Association; (11) two members appointed by the executive director of the Connecticut Association of Nonprofits; (12) two members appointed by the executive director of The Arc of Connecticut. (13) one member appointed by the chairs of the Connecticut Nonprofit Human Services Cabinet; (14) one member

representing the American Federation of State, County and Municipal Employees, Council 4, AFL-CIO; and (15) one member representing the Service Employees International Union, AFL-CIO, District 1199.

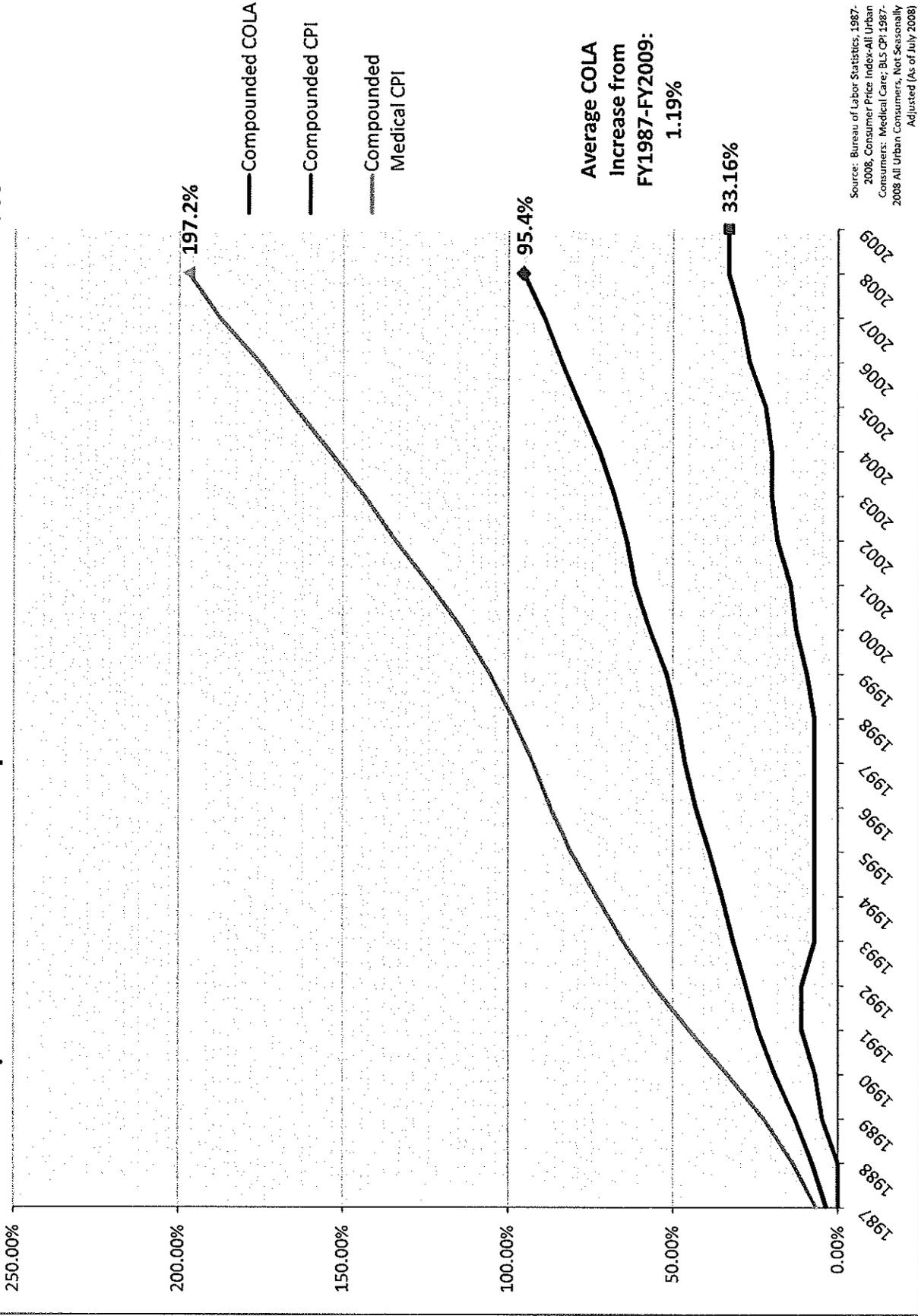
(b) All appointments to the commission shall be made no later than July 1, 2009. Any vacancy shall be filled by the appointing authority. The speaker of the House of Representatives and the president pro tempore of the Senate shall select the chairpersons of the commission from among the members of the commission. Such chairpersons shall schedule the first meeting of the commission, which shall be held no later than August 1, 2009. The commission may, within available appropriations, contract consultants with expertise in the areas of economics, the labor market, higher education or accounting to assist in carrying out its duties. The commission may receive funds from any public or private sources to carry out its activities.

(c) The purpose of the commission shall be to study and make recommendations pursuant to subsection (d) of this section concerning a long-term funding solution for community providers under purchase of service contracts. The commission shall make recommendations concerning: the development of a state-wide strategic plan for the funding of services under purchase of service contracts that includes consistent funding for the provision of such services;

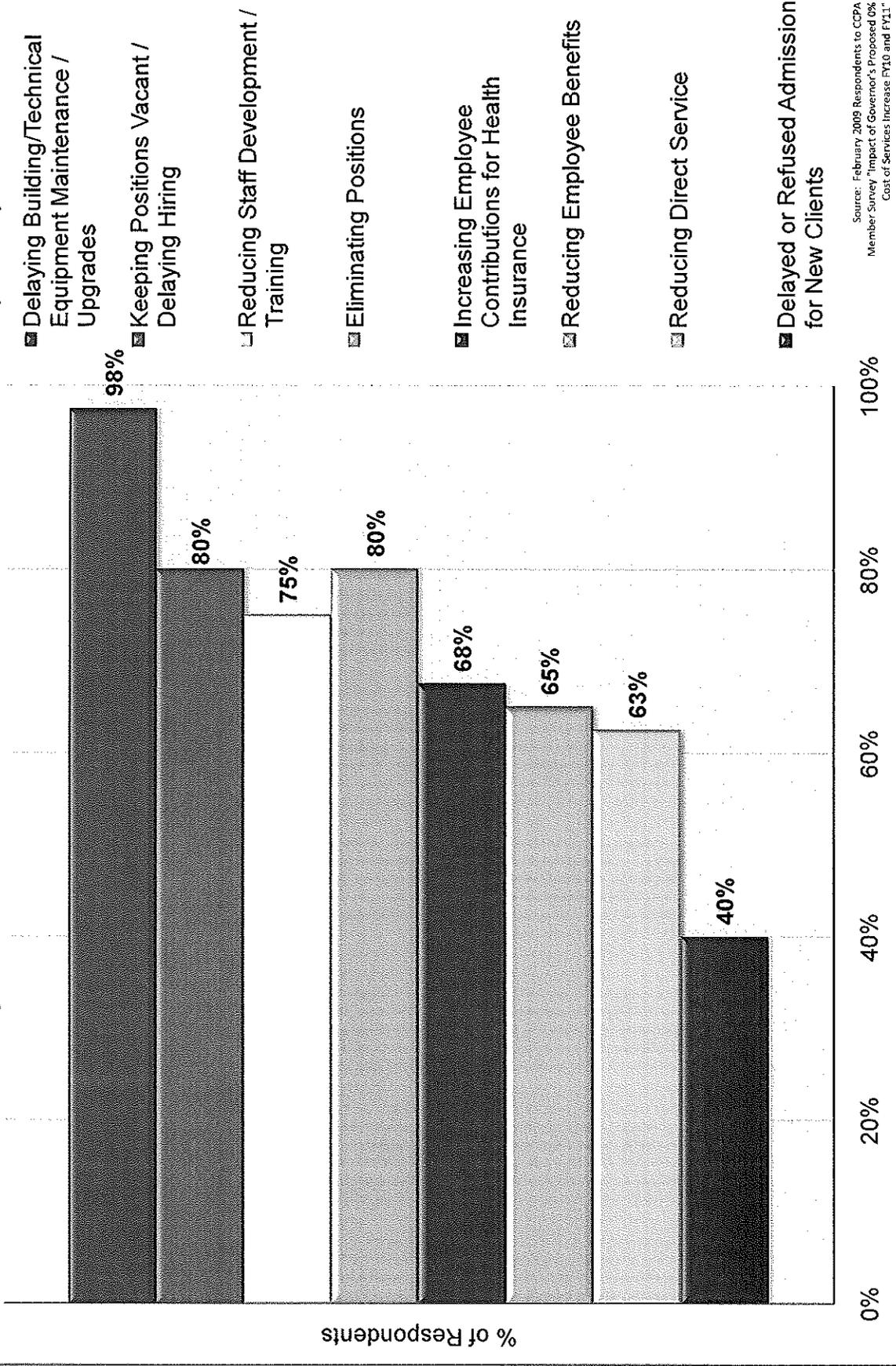
(2) The commission shall conduct studies, research and analyses and make reports and recommendations pursuant to subsection (d) of this section to address the problem of the funding of services provided by community providers under purchase of service contracts. Such research shall include (A) an analysis of the comparative cost of providing such services in the private and public sectors, including an analysis of the wages and benefits of private sector unionized and nonunionized employees and public sector employees in the human services field; (B) the impact of standard wage legislation in the state; (C) an analysis of the percentage increase in the cost of health insurance, workers' compensation insurance, property casualty insurance and energy costs since 2000, and a projection of the percentage increase of such costs to 2013; (D) a calculation of the projected savings that could be generated by serving individuals in communities rather than in institutions; (E) a review of financial mechanisms for establishing an ongoing source of revenue such as a dedicated fund; and (F) any other study, research and analysis the commission deems necessary to accomplish the purpose of the commission. As used in this subsection, "purchase of service contract" means a contract between a state agency and a private provider organization for the purchase of ongoing direct health and human services for agency clients.

(d) Not later than January 1, 2010, the commission shall submit a report on proposed budget recommendations and policy and statutory changes to the Governor and to the General Assembly, in accordance with the provisions of section 11-4a of the general statutes. The commission shall terminate on the date that it submits such report.

Compounded COLA vs. Compounded CPI and Medical CPI FY1987-FY2009



CCPA's Analysis--Anticipated Action Steps to Cope with the Cumulative Impact of 0% Cost of Services Increase for FY09, FY10, FY11



Source: February 2009 Respondents to CCPA Member Survey "Impact of Governor's Proposed 0% Cost of Services Increase FY10 and FY11"

