



**CONNECTICUT  
ASSOCIATION  
of NONPROFITS**

*...to serve, strengthen  
and support Connecticut's  
nonprofit community.*

**Testimony before the Human Services Committee  
3.22.11**

**In support of:**

**HB 6612, AAC Recommendations from the Commission on Nonprofit Health and Human Services  
Relating to Purchase of Service Contracts**

My name is Peter DeBiasi and I am the President/CEO of the Access Community Action Agency which primarily serves northeast CT. I am here today to testify as a Board member of Connecticut Association of Nonprofits (CT Nonprofits). We represent over 500 nonprofits, 300 of which hold purchase of service (POS) contracts with the state to provide essential health and human services on its behalf. Our members provide the safety net for the state's most vulnerable residents.

Last year the Legislature created the Commission on Nonprofit Health & Human Services ("the Commission") to bring legislators, Executive Branch employees and nonprofit providers together to begin addressing some of the issues facing the nonprofit human services provider system. I was appointed Commission Co-Chair along with Bob Dakers, Executive Financial Officer of the Office of Policy & Management (OPM). The Commission considered several areas of the state's human services delivery system, including the POS contracting system and the cost to provide health and human services, as well as cost increases and sources of revenue. The Commission has met monthly since August, and empowered four working groups to meet regularly to examine certain areas of the provider system more closely and make recommendations to the full Commission. The Commission has proved a valuable asset in improving communication between nonprofit providers and the state.

CT Nonprofits urges your support of this bill, which contains several of the recommendations of the Commission. This legislation simply asks state government to adhere to good business practices. The first section of the bill seeks to improve several contracting practices that impact nonprofits, including timely contract execution, timely contract payments and the use of multi-year contracts. More often than Committee members are likely aware, nonprofits receive contracts after the date on which a state agency has requested a service commence. Such a practice creates significant cash flow problems for the contracting non-profits and often requires the nonprofit to borrow from lines of credit or draw down on cash reserves as they cannot get timely payment from the state so the non-profit can pay its bills – including staff salaries. The same problem applies when payments are late – nonprofits are forced to fully subsidize state services and incur interest costs that will never be reimbursed. This at a time when banks are making it increasingly difficult for nonprofits to access lines of credit. The state must improve on these business practices. Additionally, utilizing multi-year contracts will drastically reduce the administrative burden on both the state and private providers thereby making the process more efficient.

Another recommendation put forward by the Commission is for the state to begin standardizing and streamlining contract compliance forms and data collection methods. Large amounts of duplicative information related to clients, programs and provider financials are requested by state agencies. Most state agencies use their own forms, their own computer systems and their own methods for collecting data, despite the fact that the requested data is similar and often identical. While providers do not object to providing relevant information to their contracting state agencies, it would be helpful to all parties if the process could be streamlined both within and among state agencies. Time and money could be saved by both the state and providers if this information could be provided in a standard format that was accepted by all state agencies for all contracts. Further, it is critical that information requested by the state be used by the state. Data should be aggregated and made available on a regular basis so that trends can be tracked and well-informed policy and budget recommendations can be made.

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There are several additional areas that we urge the state to continue to examine as it works to improve its health and human services delivery system, including:

- A cost-benefit analysis for all revenue producing initiatives including Medicaid services and waivers, taking into account both the state's cost and the cost to private providers
- Wage and benefit trends between public and private human services providers, including establishing an index of fixed costs associated with the provision of human services
- Mechanisms to compensate providers doing business with the state for necessary costs that occur outside the control of provider including, but not limited to, vacancies, admission and discharge delays, transfer delays or unfunded continued occupancy (aka overstays)
- A break-even analysis when changing service models and funding streams to determine if the funding model matches the program type/size and that the census requirements are realistic for the provider to remain financially viable

We are pleased that recently, efforts have been initiated within the Executive Branch to address some of these recommendations, and we believe that this bill will help to ensure the momentum continues.

The nonprofit community is acutely aware that the state's current fiscal position will make providing additional resources difficult. However, now is the time to examine trends and establish long-term funding mechanisms that will help sustain the private provider system. We are critical partners with the state and we must work together to ensure a viable delivery system that meets the growing needs of Connecticut families. Unfortunately, nonprofits have faced an increased demand for our services and skyrocketing costs while the 20 year average annual cost-of-living adjustment (COLA) on POS contracts is less than 1%. This has put nonprofits in a tenuous position. It is crucial for the state to invest in private provider system on which it relies.

The Commission has brought about unprecedented collaboration between nonprofit providers and the state. We have had a chance to learn from each other and jointly develop solutions that will improve the delivery system for state agencies, nonprofit providers and most importantly the people we serve. We look forward to working with legislators and state agencies to implement these recommendations.

Thank you for the opportunity to testify today.

Peter DeBiasi  
President/CEO  
The Access Community Action Agency  
(860) 450-7452  
[peter.debiasi@accessagency.org](mailto:peter.debiasi@accessagency.org)