



Nonprofit Human Services Alliance

Testimony before the Human Services Committee

In Support of HB 6465, An Act Concerning Purchase of Service Contracts

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Senator Moore, Representative Abercrombie, Senator Markley, Representative Wood and distinguished members of the Human Services Committee, my name is Jeff Shaw, Project Director, of the Connecticut Nonprofit Human Services Alliance (Nonprofit Alliance) and I would like to share my support for H.B. 6465, An Act Concerning Purchase of Service Contracts. The purpose of the bill is to ensure all nonprofit-government "Purchase of Service" (POS) contracts and Medicaid fee for service accounts reflect the actual cost of providing contracted services. The Nonprofit Alliance consists of 19 nonprofit associations and organizations which collectively represent over 800 individual organizations in Connecticut, working to create structural changes in how the state does business with nonprofits for the benefit of all residents.

Earlier today, members of the Nonprofit Alliance released a report entitled, *"Why The State of Connecticut Must Adequately Fund Nonprofit Providers: A Blueprint for Increasing Quality of Life and Economic Growth,"* [report attached] which shows that investing in nonprofit providers, rather than cutting their budgets, is a much better policy decision/path toward prosperity. The report recommended that policymakers support an 8.52% increase in nonprofit-government contracts consistent with the average annual growth of the Consumer Price Index over (only) the past five years. This proposed bill similarly asks the Governor and legislators to appropriately fund nonprofit providers by including an increase, commonly referred to as a cost of living adjustment, in all future POS contracts and Medicaid fee-for service accounts tied to the average annual growth of the Consumer Price Index or inflation. This increase in funding is necessary because the state has failed to adequately fund nonprofit providers for the last two decades forcing many nonprofits to close, compete against one another for scarce resources, layoff employees, reduce benefit packages; altogether creating a win or lose system that weakens the entire nonprofit sector and threatens its sustainability.

This legislation makes a commitment to properly invest in the nonprofit sector, a commitment the state has already made through 1,585 POS contracts serving approximately 500,000 residents (15% of the population) among ten state agencies totaling \$1.38 billion or 7.3% of the state budget (2014 data). Building on previous work by the legislative commission on nonprofit health human services as well as the Governor's Cabinet on Nonprofit Health and Human Services, this bill uses the contracting process to ensure reimbursement rates and cost standards are reviewed often enough to adjust funding levels in response to changes in CPI and inflation.

While an 8.52% increase in funding (as the attached report recommends) may seem impossible in these tough budget years, policymakers simply can't afford not to do this. Rising inflation and Consumer Price Index (CPI) growth has put enormous pressure onto nonprofits in our communities because those cost increases - the cost to do business - have not been consistently acknowledged to reflect economic realities through appropriate funding for rate adjustments in contracts and grant accounts. A national study on *"Nonprofit-Government Contracts and Grants"* conducted by the Urban Institute confirmed that claim by finding that Connecticut is the 6th worst state with the problem of government payments not covering the actual cost of contracted services (2012 data).

Staff, the backbone of all agencies, bears the burden of underfunding going years without salary increases while simultaneously watching benefit packages deteriorate. Consequentially, nonprofits struggle to keep a quality workforce, as many providers experience high turnover with employees considering state employment or similar jobs providing higher wages and better benefits. In turn, high turnover adversely affects the clients who have grown comfortable with their nurse, social worker, roommate or mentor. The reality is that the health and human service nonprofit providers have been continuously underfunded over the past two decades, pushing the majority of these organizations to their breaking point.

Given the challenges with the current and projected biennial budgets, it is understandable that this funding increase will not happen all at once, so a phase-in approach is recommended. Policymakers should consider creating a mechanism (trigger) similar to how the spending cap can be raised (via average percent increase of personal income and/or percent increase in inflation over a designated period of time(s)) that will provide adjustments to changes in CPI and inflation. While an 8.52% increase may seem impossible now, it very well could be possible in the "out-years" which is why my colleagues and I are asking for your commitment today to require that future nonprofit-government contracts are tied to the growth in CPI and/or inflation to ensure adequate funding of contracted services.

Simply put, this bill represents an opportunity to improve the quality of life and economic activity in our communities for your constituents. As this testimony and the attached report illustrates, investing in nonprofit providers will improve service delivery, increase economic activity, and save taxpayer money. This bill is a "win-win" for policymakers working to strengthen the economy, the nonprofit workforce trying to make ends meet, and the clients (and their families) who receive cost-effective, high-quality and efficient services from nonprofit providers.

Thank you again for your time and consideration. Please do not hesitate to contact me with any questions, or for additional information.