



DATE: Wednesday, February 15, 2017

TO: Government Administration and Elections Committee

FROM: Jeff Shaw, Director of Public Policy, The Alliance

RE: HB-5958, AN ACT IMPLEMENTING RECOMMENDATIONS OF THE CONNECTICUT INSTITUTE FOR THE 21ST CENTURY AND THE COMMISSION ON ENHANCING AGENCY OUTCOMES.

Good afternoon Senator Winfield, Senator McLachlan, Representative Fox, Representative Devlin and distinguished members of the Government Administration and Elections Committee:

My name is Jeff Shaw, Director of Public Policy at The Alliance. The Alliance is Connecticut's statewide association of community nonprofits, which serve over 500,000 people each year and employ almost 14% of Connecticut's workforce.

I offer testimony in support of HB-5958, An Act Implementing Recommendations Of The Connecticut Institute For The 21st Century And The Commission On Enhancing Agency Outcomes. My comments will focus on the CT Institute report, *A Survival Plan for Our Splintered Human Services Delivery System*, as many of our member organizations were interviewed for the study. The recommendations in the report focus on three main objectives: reducing costs, increasing efficiency and enhancing effectiveness and quality to deliver the best services possible to the residents of Connecticut. The Alliance is supportive of these objectives.

As background, the State currently contracts with nonprofits to provide the majority of essential human services. These services include day programs and group homes for people with developmental disabilities, mental illness, substance abuse treatment, homeless shelters, shelters for victims of domestic abuse, juvenile justice and alternative incarceration programs, among other social services. However, reoccurring budget deficits are threatening these programs, and not addressing the rising needs for services.

The CT Institute recommends, and we agree, that the State take a more active role in coordination and oversight of the delivery of human services. At the same time, the State should shift more State-run services into the nonprofit sector to provide more high quality services to those in need. As an example, a recent analysis by The Alliance shows that shifting services for developmentally disabled individuals and mental health and substance abuse treatment from the state to community-based agencies could save the State about \$1.24 billion over the next five years. In light of billion dollar budget deficits over the next biennium, such conversions would allow the State to continue serving the same amount of people, while providing resources to re-invest back into the delivery system to attract more staff, expand high quality programs and serve even more people in need. As the report states, "Shifts in approaches to service delivery could make a real difference."

The report found that, “the State’s health and human services delivery system is confusing, splintered and inefficient.” Fast-forward to the present day, our current system of delivering health and human services remains expensive and inefficient because the state has two conflicting responsibilities: (1) managing and operating State-run services, and (2) regulating and overseeing contracted services with nonprofits. This parallel or two-tiered human services delivery system in which community nonprofits deliver the same services that the State delivers, is redundant, complex and confusing to the core mission of each state agency. The costs of maintaining the current, parallel system are increasingly troubling.

The report found that “it costs 2.5 times as much to take care of people in a public program than in a private, nonprofit program.” As an example, according to the Department of Developmental Disabilities (DDS) the cost for a state run community living arrangement (CLA) for one individual was \$265,000 per year, while the cost for a private, nonprofit CLA was \$113,000 per individual, per year, with the same, if not better quality of care. That single example shows a difference of \$152,000 per individual per year which could be used to avoid further cuts to essential programs and services. Further, the legislative Program Review and Investigations Committee (PRI) did a study of group homes for individuals with developmental disabilities and found that nonprofits provide the same services at a lower cost with a level of care that is as good or superior to the quality of service provided by the State at a higher cost.

Another opportunity to improve the delivery of essential services is through improvements to contracting and procurement practices. As the report states, “The contracting process is difficult, inconsistent across agencies, time-consuming and inherently unfair to nonprofit service providers.” The State continues to contract with nonprofits through ten state agencies, each of which has unique RFP development, contracting, rate setting, performance measurement, payment, quality measurement and data collection practices and requirements. This lack of consistency adds unnecessary complexity and burdensome requirements to nonprofits, many of which have multiple contracts with different state agencies. A recent national survey on contracting and grant processes by the Urban Institute found that Connecticut ranked notoriously low on five performance indicators. That survey found Connecticut ranked:

- 2<sup>nd</sup> worst for imposing needlessly complex contract reporting requirements on nonprofits that result in wasted time and added costs to nonprofits, governments, and taxpayers;
- 3<sup>rd</sup> worst for changing contracts mid-stream, thus increasing burdens and costs on nonprofits to continue delivering services under the fixed costs of the contract;
- 6<sup>th</sup> worst for failing to pay nonprofits for the full costs of services they provided since contracted workload and funding does not automatically adjust to new mandates or growth in the Consumer Price Index or inflation;
- 10<sup>th</sup> worst for paying nonprofits late, which can force nonprofits to borrow money while awaiting payment from the State, and the interest on the loan is not reimbursable under the cost standards; and
- 15<sup>th</sup> worst for imposing needlessly complex contracting application burdens that result in added costs to nonprofit, governments, and taxpayers and wasted time since it diverts resources away from mission critical work.

Finally, the partnership between nonprofits and state agencies is critically important to service delivery. There are many examples of collaborations between nonprofits and the State; the Governor’s Cabinet

on Nonprofit Health and Human Services, the Behavioral Health Partnership Oversight Council, the new ID Partnership and others, but there needs to be more coordination and cooperation among state agencies. The report recommends transitioning the Governor's Cabinet on Nonprofit Health and Human Services to an Advisory Board that will accelerate efforts in data collection and sharing that are key to measuring population outcomes across the service delivery system. This timely information will help measure outcomes, anticipate needs and help develop a long-term strategy toward addressing those needs. The report also encourages nonprofits to work collaboratively together, which many are currently doing through sharing back-office services, meeting space and technology, which saves money to be used for more direct services for people they serve. We encourage policymakers to continue providing resources for innovation and collaboration through the Nonprofit Grant Program and the proposal to create an Innovation Investment Program.

A system in which the State provides oversight and coordination and the nonprofits provide services and programs is the best path forward. Cost-effective, high quality services provided in the community can be part of the solution to the state's budgeting problems while serving the same if not more individuals, through the shifting of State-provided services to the nonprofit sector.

Thank you for your attention to this important issue.

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