AN ACT CONCERNING THE INNOVATION INCENTIVE PROGRAM FOR NONPROFIT PROVIDERS OF HUMAN SERVICES.
As Amended by Senate "A" (LCO 8233)

House Calendar No.: 727
Senate Calendar No.: 245

OFA Fiscal Note

State Impact:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund-Effect</th>
<th>FY 20 $</th>
<th>FY 21 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various State Agencies</td>
<td>GF - Cost</td>
<td>None</td>
<td>See Below</td>
</tr>
</tbody>
</table>

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which makes an optional Office of Policy and Management (OPM) incentive program into a mandatory pilot program, will result in costs to agencies required to participate. These costs cannot be determined at this time. Under the bill, the pilot program must allow eight participating providers to keep a portion of any savings they realize from contracted services as long as they meet their contractual requirements. The bill does not specify what percentage of the savings OPM will allow participating providers to retain.

For illustrative purposes, providers funded by the Department of Developmental Services (DDS) incurred actual expenditures of $1.2 million less than the amount they received from the agency in FY 17. DDS retained 100% of the savings achieved under the contracts.\(^1\) If these providers had been allowed to retain 20% of the savings

\(^1\)The $1.2 million was reflected in the following fiscal year (FY 18) at which time program accounting was finalized.

Primary Analyst: CG

Contributing Analyst(s):

6/21/19
($240,000), DDS would have retained 80% ($960,000), resulting in a net cost to the agency of $240,000.

The three state agencies with the majority of contracts with nonprofit providers of services to persons with intellectual, physical, or mental disabilities are DDS, the Department of Mental Health and Addiction Services (DMHAS) and Department of Social Services. It is anticipated that FY 20 pilot program costs will be incurred in FY 21, when the reporting of program payments and expenditures is finalized.

It should be noted that PA 19 - 117, the FY 20 and FY 21 budget, contains provisions related to providers retaining contract savings. Section 26(a) requires DDS to allow providers to retain 20% of such savings and section 26 (b) permits DMHAS to allow providers to retain an unspecified percentage of such savings.

Senate “A” eliminates criteria for providers and does not result in a fiscal impact to the State or municipalities.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future based on cost savings achieved by providers and the percentage they are allowed to retain. The bill does not specify an end date for the pilot program.

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The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst’s professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

Sources:
- Core-CT Financial Accounting System
- OPM - Purchase of Service Contracts Report 2018