

The Partnership between the State of Connecticut and Nonprofit Providers

Executive Summary

March 2013



Introduction

This report is titled *The Partnership between the State of Connecticut and Nonprofit Providers*. In developing this report it has become clear that the real focus of the report is the vast number of Connecticut residents who require the support and services provided by the State to live their lives. This group of people ranges from our youngest citizens to our oldest who require support due to: mental illness, homelessness, substance abuse, poverty, neglect, crime, etc. We believe that the State has an obligation to commit resources to assist many of those belonging to this population. This study looks at the service delivery system serving this population and specifically at the way the State has evolved to the delivery of these services by nonprofit organizations. What we found was a confusing, non-integrated, inconsistent and out-of-balance system that, due to these factors, cannot be as effective or efficient as needed. We also found that the current administration is making honest efforts to improve the system with the advent of the Nonprofit Liaison cabinet position, the establishment and the work of the Governor's Cabinet on Nonprofit Health and Human Services, and the creation of a new \$40 million bond pool that will allow nonprofit organizations to invest in capital projects that will lower administrative costs and improve the delivery of services. It is in this spirit, with a goal of a more efficient and effective system focused on the state population that is being served by these services, that we present this report.

Interviews Conducted

Sheila Amdur, CT Community Providers Association

Liza Andrews, Connecticut Association of Nonprofits

Jeff Asher, Connecticut Health and Educational Facilities Authority

Rod Bremby, CT Dept. of Social Services

Bill Carbone, CT Judicial Branch – Court Support Services

Roberta Cook, BHcare

Suzanne Cooney, CT Dept. of Mental Health and Addiction Services

Ron Cretaro, Connecticut Association of Nonprofits

Bob Dakers, CT Office of Policy and Management

Peter DeBiasi, Access Community Action Agency

Anthony Del Mastro, The Children’s Center of Hamden

Liz Dupont-Diehl, Connecticut Association for Human Services

Terry Edelstein, CT Nonprofit Liaison to Governor

Patrick Flaherty, CT Dept. of Labor

Dave Garvey, UConn Nonprofit Leadership Program

Heather Gates, Community Health Resources

Deborah Heinrich, Former CT Nonprofit Liaison to Governor

Brian Hill, CT Judicial Branch – Court Support Services

Jim Horan, Connecticut Association for Human Services

Patrick Johnson, Oak Hill

Meghan Lowney, Zoom Foundation

Bob Margolis, TANGO

Bill Martin, Waterford Country School

John Osterman, Families in Crisis

Rick Porth, United Way of Connecticut

Daniel Rezende, Connecticut Junior Republic

Howard Rifkin, Partnership for Strong Communities

Nancy Roberts, Connecticut Council for Philanthropy

Anne Ruwet, CCARC

Amy Studwell, Hartford Foundation for Public Giving

Julia Wilcox, Connecticut Association of Nonprofits

Findings and Observations

- There is no overarching health and human services strategy in the State of Connecticut.
- The State of Connecticut, through 7 state agencies, is contracting with nonprofit providers through purchase-of-service (POS) contracts at a rate of \$1.3 billion/year which represents over 5% of the State's total annual expenditures.
- Each State Department that utilizes POS contracts has:
 - A unique definition of its service region.
 - Different processes and procedures for RFP development, contracting, rate setting, performance measurement, payment, quality measurement and data collection.
 - Responsibilities and programs that overlap with other agencies for the effective delivery of services to Connecticut's most vulnerable populations.
 - Different data reporting requirements for nonprofit providers.
 - Inconsistent and misaligned reporting out of the department making the reporting of progress against population results impossible.
- This splintered approach to providing these services causes:
 - A lack of coordination and purpose to achieving the population results that should matter to the citizens of Connecticut.
 - No performance measurement and performance management for the population results that should matter.
 - A difficult environment for those in need to seek appropriate services.
 - An inefficient structure in which nonprofit providers must conduct business with the State which causes the nonprofit cost structure to be higher.
- There is a mindset of mistrust and a resistance to change between the nonprofit community and the State.
- To the credit of this administration, legislators and agency heads:
 - Improvement to the system is happening as initiatives are under way at both the agency and state levels.
 - The establishment of the Nonprofit Liaison has demonstrated a commitment to address the issues relating to the State's relationship with private providers.
 - The creation and the work done by the Governor's Cabinet on nonprofit health and human services have increased awareness and further demonstrated commitment to these issues.
 - Created a new \$40 million bond pool that will allow nonprofit organizations to invest in capital projects that will lower administrative costs and improve the delivery of services.

Findings and Observations

- At least four State-sanctioned commissions/studies and national organizations have studied the status of service delivery by nonprofit providers in the State of Connecticut.
 - Nonprofit community has experienced financial decline over 10-year period.
 - Years without COLAs have caused providers to reduce expenses (e.g., employee health benefits).
 - Rates should be set at a minimum to cover the costs of care (as outlined by the evidenced-based practices to have the desired results).
 - Public sector positions pay significantly more than comparable private/nonprofit positions.
 - Benefits (including health and retirement) are significantly higher in the public sector.
 - Nonprofit providers should be funded adequately enough to pay its lowest-paid employees enough to attract a qualified workforce.
 - Incentives should be put in place for nonprofit providers to earn extra benefits (e.g., enhanced retirement).
 - Public delivery of residential services is much more expensive than services provided by private providers.
 - On average, it costs 2.5 times more to take care of clients in a public community living arrangement as a private one.
 - In services where the cost difference is so great, dual provision of services should be migrated away from.
 - 50% of nonprofit providers reported deficits – 5th highest in U.S.
 - 66% of nonprofit providers had to freeze or reduce salaries – highest in U.S.
 - 53% of nonprofit providers reported problems with late payments – 3rd highest in U.S.
- The work and recommendations made in prior studies and in the ongoing initiatives are either incremental changes or (where strategic) have no specific accountability.
- Our many interviews with nonprofit and state-agency leaders have allowed us to observe that there is fundamental agreement amongst and between these groups.
 - A Health and Human Services Strategy is needed in the State of Connecticut.
 - Population results should be the basis for the System and should be the ultimate accountability framework.
 - The population being served by these services should be the common focus and driver of improvements to the system.

Recommendations

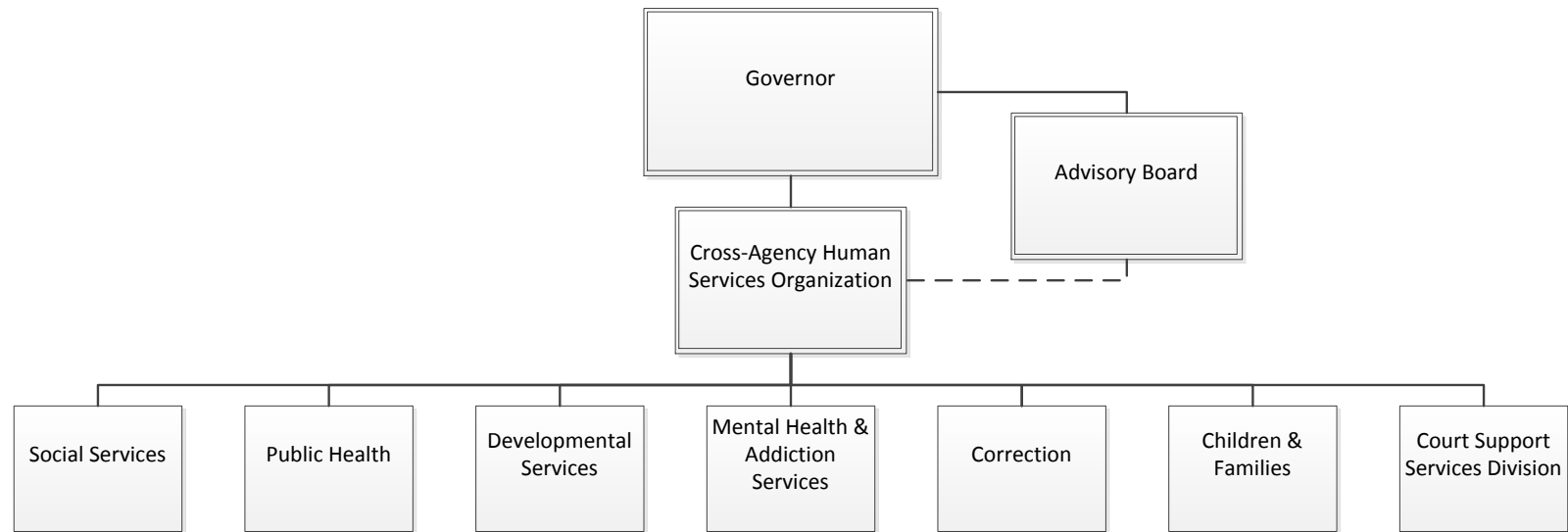
- **Leadership – The Governor must focus his leadership on meaningful long-term changes needed to achieve the population results that would benefit every citizen in the State of Connecticut.**
- We believe we must go beyond incremental and voluntary measures to improve the Health and Human Services System in Connecticut.
 - The State of Connecticut should create a Health and Human Services Strategy that is based on the “cross-agency population results” identified in the Report by the Governor’s Cabinet on Nonprofit Health and Human Services (10/1/2012).
 1. All Connecticut residents live in safe families and communities.
 2. All Connecticut residents are economically secure.
 3. All Connecticut residents are developmentally, physically, and mentally healthy across the lifespan.
 4. All Connecticut residents who are elderly (65+) or have disabilities live engaged lives in supportive environments of their choosing.
 5. All Connecticut residents succeed in education and are prepared for careers, citizenship, and life.
 6. All children grow up in a stable environment, safe, healthy, and ready to succeed.
 - These population results should be the basis for the creation of a new Health and Human Services Model.

Rationale:

- A long-term strategy based on agreed-upon end results is the basis needed to bring change to the existing system.

Recommendations

- **The Governor should appoint or transition the Cabinet on Nonprofit Health and Human Services as an advisory board to create the strategy and establish a new Health and Human Services Model for the State of Connecticut.**



Rationale:

- Adopt a system that has the authority and accountability to implement real changes.
- The advisory board should have representation from all constituents in the system, including:

- | | | |
|-----------------------|---------------|--------------|
| ➤ State agencies | ➤ Businesses | ➤ Legal |
| ➤ Nonprofit providers | ➤ Legislators | ➤ Accounting |
| ➤ Foundations | ➤ Labor | ➤ Others |

Recommendations

- **Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices.**
- Create and adopt an organization that can implement the specifics of the Health and Human Services Strategy.

GOAL: CONNECTICUT residents are able to reach their full potential based on their life stage and to contribute to the vitality of their community and the state/city.

Rationale:

Responsive:

- Focuses on the best interest of the community and clients
- Responds to ongoing and emerging needs
- Fosters creativity and innovation

Fair:

- Balances financial risk to promote stable service delivery
- Allocates resources according to relative need



Efficient:

- Aligns service location with needs
- Maximizes resources invested in direct services
- Delivers right amount of service in least amount of time to achieve outcomes

Accountable:

- Transparent process for decision making around allocation of resources and service procurement
- Has measurable impact on human lives and community issues

- New organization needs to be created within state government that has the appropriate authority and responsibility to drive the strategy across existing state agencies.

Recommendations

- **Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices. (*continued*)**
 - To further investigate the creation of a new Human Services Model, the Governor's Task Force should create a new work group to define the scope, responsibilities, organization, technology, authority and accountability required for this to work.

Rationale:

- Many of the previous reports conducted by commissions, review panels or special investigation committees call for the creation of a permanent mechanism to continue the work.
- The findings within all of this work are relevant, well thought out, highly endorsed and very specific. The problem is that they are reports and there is no entity or agency that has responsibility and accountability to implement the recommendations.
- “An ongoing body, similar to this commission, should be created and charged with tackling the issues before us, working to add value to the process of implementing the specific recommendations, achieving specific results over specific timeframes, and as this Commission has been, should be comprised of a cross-section of representatives from State Agencies, Private Providers and their representative organizations, Labor, and persons who are recipients of benefits under health and human services programs.” – Commission on Nonprofit Health and Human Services.¹

Recommendations

- **Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices. (*continued*)**
 - The goals of the new organization should be:
 - The delivery of the “cross-agency population results” defined by the Cabinet
 - The creation and implementation of one POS system for the State of Connecticut that is based on best practices
 - A client-centered approach that is truly enabling effective and efficient service delivery to those that need the services
 - The results of the work group should also address the challenges that would need to be overcome for effective implementation to occur.
 - *This includes the identification and delivery of new skills training required to deliver such a client-centered model:*
 - Facilitation
 - Negotiation
 - Complex contract management
 - Performance management
 - Client-centered focus
 - “For government to realize the advantages associated with privatization, public managers need to have expertise in contract management and the ability to negotiate, monitor, and communicate expectations and technical information (Kettl 1993; Van Slyke 2003). Yet, Kettl suggests that policy makers ‘look at puzzles like contract management [by racing] past the details to get what they see as the real issues’.”¹

¹ Van Slyke, David. “Agents or Stewards: Using Theory to Understand the Government-Nonprofit Social Service Contracting Relationship.” *Journal of Public Administration Research and Theory*. 2007.

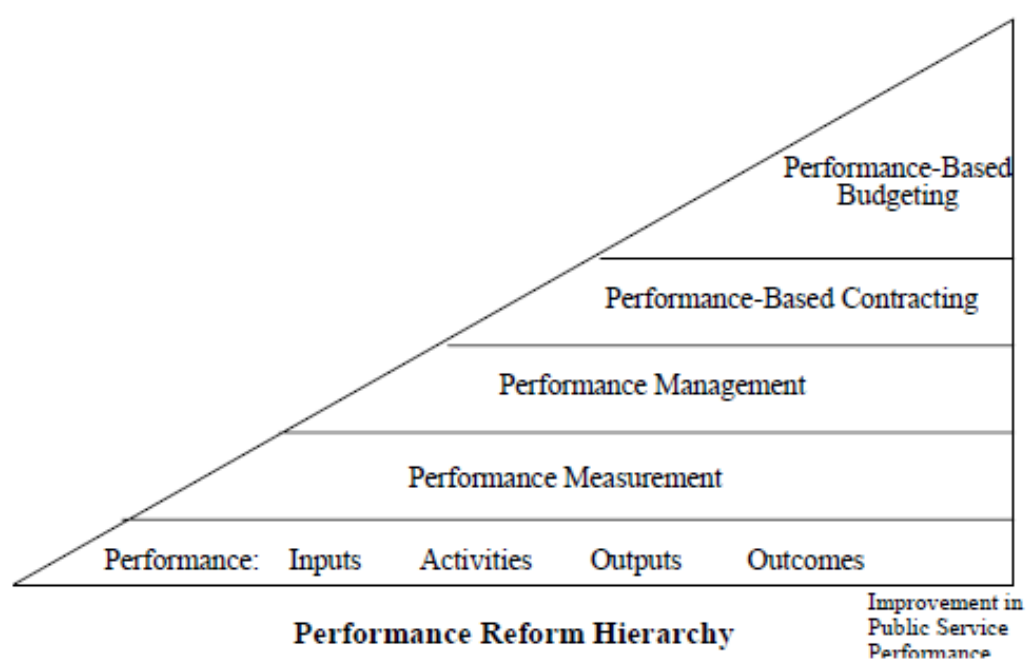
Recommendations

- **Create a new Human Services Model within Connecticut’s State Government that is based on the Cabinet’s principals and leverages other states’ lessons and best practices. (*continued*)**
 - Some of the areas of authority and responsibility should include all the elements as described at a high level within the Illinois model as well as detailed elements including:
 - *The creation and implementation of one POS system that is based on best practices for:*
 - RFP development, contracting, payment, rate setting and performance measurement
 - *The determination of the proper balance of state versus nonprofit provision of services.*
 - Based on facts of performance and efficiency.
 - *To become the information hub for all human services by:*
 - Becoming the owner of the Connecticut Nonprofit Strategy Platform.
 - Creating and enforcing common data requirements and providing reporting.
 - “Identifying, collecting, and developing information necessary to assess performance fully at both the program and the population levels proved more time-consuming than PRI anticipated. This is partly because Connecticut has no comprehensive long-term plan (strategic or otherwise) for state government and formal statements of state policy are few. At the agency and program levels, the clear articulation of desired results is rare. Consequently, little information is collected or compiled about whether long-term goals are being met or target populations are better off.”¹
 - *The development and implementation of integrated service delivery amongst and between the State and nonprofit providers to deliver population results.*
 - *The development, initiation and management of alternative methods of funding, e.g.:*
 - Social impact bonding
 - Community and other foundations

¹ Legislative Program Review & Investigations Committee. “RBA Pilot Project Study of Selected Human Services Programs (P.A. 09-166).” January 15, 2010.

Recommendations

- **Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices. (*continued*)**
 - This new organization should follow a prescribed path of development that builds toward pre-defined goals and benefits.



Recommendations

- **The nonprofit community needs to become a catalyst to change the existing State Strategy for Health and Human Services.**
 - Nonprofit leadership needs to be more proactive in driving innovation and change within its own community.
 - Active network development that looks to create partnerships, collaboration and integrated services aligned by the population-results-based goals should be a major priority.
 - Honest and proactive efforts to merge, integrate, close and rationalize nonprofit organizations for the sake of efficient and effective delivery of services and of strengthening the community should be a priority.
 - Leadership should be driving a shift from single organization causes to broad or population results causes. This shift will create tremendous appeal to investors and help to simplify the marketing of nonprofit providers and create alignment to a population-results-based State strategy.
 - In the course of developing new alliances and networks based on population results, define the technology requirements needed to be successful collectively. In this way, the collective needs of a cause-based network can drive synergies and cost efficiencies in purchasing and developing technology. This is the intended behavior that the State is trying to drive in offering to fund these types of investments in the existing OPM program and in the Governor's proposed new bond funding effort aimed at nonprofit organizations.
 - In a networked and collaborative way, investigate the opportunity to utilize shared services. Back-office functions including human resources, accounting and technology are ideal candidates to be shared across organizations. There are many best practice examples that can be followed as a road map to create efficiency and effectiveness.
 - Create nonprofit shared workspace centers. Many examples exist (e.g., Boston, San Francisco, New Jersey) where this concept has allowed nonprofit groups to not only save money, but to facilitate collaboration and networking to become more effective.

Recommendations

- **Reform the Purchase-of-Service contracting process to be fair for nonprofit service providers, the State and the public they serve.**
 - Create one Purchase-of-Service contract for use by all agencies.
 - Modify the standard Purchase-of-Service contract between the State and nonprofit providers to reflect a business-like approach toward working with private providers and ensure the delivery of these vital health and human services even in difficult economic times.
 - Some of the business terms of the contract should be reviewed and modified to provide these protections:
 - For-cause cancellation only
 - Non-retroactive
 - Adequate cancellation periods
 - Cancellation cost recovery
 - Defined revenue retention rules
 - Others

Understanding the Current Relationship between the State and Nonprofit Providers

Purchase-of-Service Contracts with Nonprofit Organizations

- State contracting to deliver Health and Human Services with nonprofit providers was over \$1.3 billion in 2011.
- These contracts are carried out through the following primary departments with purchase-of-service (POS) contracts: DDS, DMHAS, DSS, DCF, DPH, DOC and CSSD.
- These departments contract POS services with nonprofit organizations who provide the following services: Human Services, Health, Housing/Shelter, Mental Health/Crisis Intervention; Employment/Job-Related, and Crime/Legal-Related.
- POS contracts account for 14.6% of Health and Human Services spending. Table 1 shows POS spending by State Department.

POS Contracts by Department

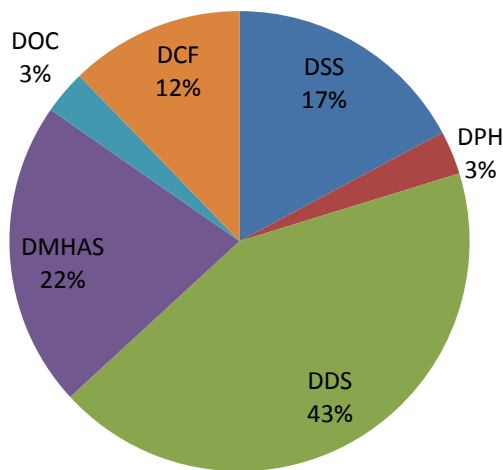


Table 1

Department	2012 Department Exp.	POS Contracts - 2012 Payments	POS as % of Total
Human Services	\$ 5,817,368,850	\$ 227,981,447	3.9%
Dept. of Social Services	\$ 5,796,976,589	\$ 227,981,447	3.9%
Health and Hospitals	\$ 1,792,435,153	\$ 895,741,864	50.0%
Dept. of Public Health	\$ 80,906,633	\$ 40,622,907	50.2%
Dept. of Developmental Services	\$ 1,013,182,366	\$ 569,645,336	56.2%
Dept. of Mental Health and Addiction Services	\$ 692,807,760	\$ 285,473,621	41.2%
Corrections	\$ 1,472,684,718	\$ 203,327,866	13.8%
Dept. of Correction	\$ 670,906,626	\$ 40,836,020	6.1%
Dept. of Children and Families	\$ 801,778,092	\$ 162,491,846	20.3%
Total	\$ 9,082,488,721	\$ 1,327,051,177	14.6%

Sources: Connecticut State CAFR 2012 and Connecticut Report to the General Assembly on Purchase of Service Contracts (CT OPM).

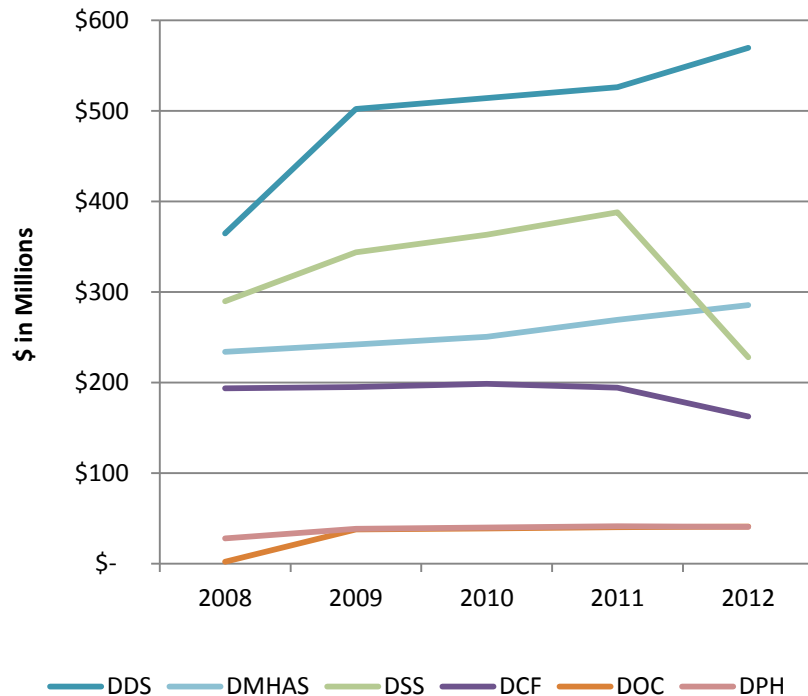
Implication of Disaggregated Service Delivery

- Through our discussions with nonprofit providers and state departments, we found that each agency has:
 - **A unique definition of its service region.**
 - **Different processes and procedures for RFP development, contracting, rate setting, payment, performance measures, quality measurement and data collection.**
 - **Overlapping responsibilities with other agencies for the delivery of services to Connecticut's most vulnerable populations.**
 - **Different data reporting requirements for nonprofit providers.**
 - **Inconsistent and misaligned reporting out of the department making the reporting of progress against population results impossible.**
- This splintered delivery of services by the State makes it very difficult for the people seeking service to find the right agency or program for help.

The Trend in Health & Human Service POS Spending Has Been Increasing

- CT State spending increased significantly over the 2007-2010 recession.
- The most notable increase was human services spending – an increase of 44% from 2007 to 2012.

POS Spending by Department



- Although state spending on HHS has increased 11% since 2008, the amount contracted out through POS agreements has increased by 19%.
- Worth noting is SFY 2013 budgeted figures anticipating a 20% reduction in total HHS spending (from \$11.3 billion to \$9.1 billion).
- From 2008 to 2012:
 - Spending on Health & Hospitals, Human Services and Corrections increased by \$1,154 million. POS contracts for these same categories increased by \$215 million.
 - However, although contract value has increased, total number of contracts has decreased significantly:
 - From 1,892 total contracts in 2008 to 1,390 in 2012 – a 36% decline.
 - This could be due to the number of contracts being consolidated within individual state agencies to achieve greater efficiency through master contracts. Common examples include organizations that once had three or more contracts now only having one.

Connecticut Nonprofit Groups Provide Equivalent Services in a More Cost Effective Way than the State

- The Commission on Nonprofit Health and Human Services submitted its Final Report on 3/31/2012 with the following findings and recommendations:
 - Public sector positions pay significantly more than comparable private/nonprofit positions.
 - Benefits (including health and retirement) are significantly higher in the public sector.
 - Nonprofit providers should be funded adequately enough to pay its lowest-paid employees enough to attract a qualified workforce.
 - Incentives should be put in place for nonprofit providers to earn extra benefits (e.g., enhanced retirement).
- Connecticut's Program Review and Investigations Committee developed its report, *Provision of Selected Services for Clients with Intellectual Disabilities* in January 2012 which provides additional evidence.
 - Public delivery of residential services is much more expensive than services provided by private providers.
 - On average, it costs 2.5 times more to take care of clients in a public community living arrangement as a private one.
 - In services where the cost difference is so great, dual provision of services should be migrated away from.

An Overview of the Nonprofit Sector in Connecticut

- There are 16,812 nonprofit organizations in Connecticut.¹
- This sector employed 192,134 people in 2011, representing 12% of the total Connecticut workforce.²
- The largest sector for nonprofit employment is Health Care and Social Assistance with 67% of nonprofit employment.³
- On the national level, Connecticut ranks 20th in terms of total number of nonprofit organizations per 10,000 persons. (CT has 57.5 per 10,000 persons which is above the national total of 49.8.)⁴
- There are 1,783 total nonprofit organizations in Connecticut related to Health and Human Services (highlighted to the right).
- Counting for just these Health and Human Services providers, Connecticut has a total of 4.98 nonprofit organizations per 10,000 residents, ranking 18th highest in the U.S.

Classification	Count	Per 10,000 People	National Rank
Educational Institutions and Related Activities	1,341		
Philanthropy, Voluntarism and Grantmaking Foundations	1,251		
Arts, Culture and Humanities	891		
Human Services – Multipurpose and Other	800	2.24	18th
Recreation, Sports, Leisure, Athletics	684		
Community Improvement, Capacity Building	427		
Health – General and Rehabilitative	385	1.07	15th
Environmental Quality, Protection and Beautification	278		
Housing, Shelter	274	0.76	12th
Religion-Related, Spiritual Development	237		
Youth Development	195		
International, Foreign Affairs and National Security	160		
Public Safety, Disaster Preparedness and Relief	142		
Public, Society Benefit – Multipurpose and Other	131		
Mental Health, Crisis Intervention	129	0.36	18th
Employment, Job-Related	125	0.35	9th
Diseases, Disorders, Medical Disciplines	124		
Mutual/Membership Benefit Organizations, Other	80		
Crime, Legal-Related	70	0.20	48th
Medical Research	61		
Food, Agriculture and Nutrition	58		
Civil Rights, Social Action, Advocacy	35		
Science and Technology Research Institutes, Services	30		
Social Science Research Institutes, Services	14		
Grand Total	7,922		
Health & Human Services (highlighted) Total	1,783	4.98	18th

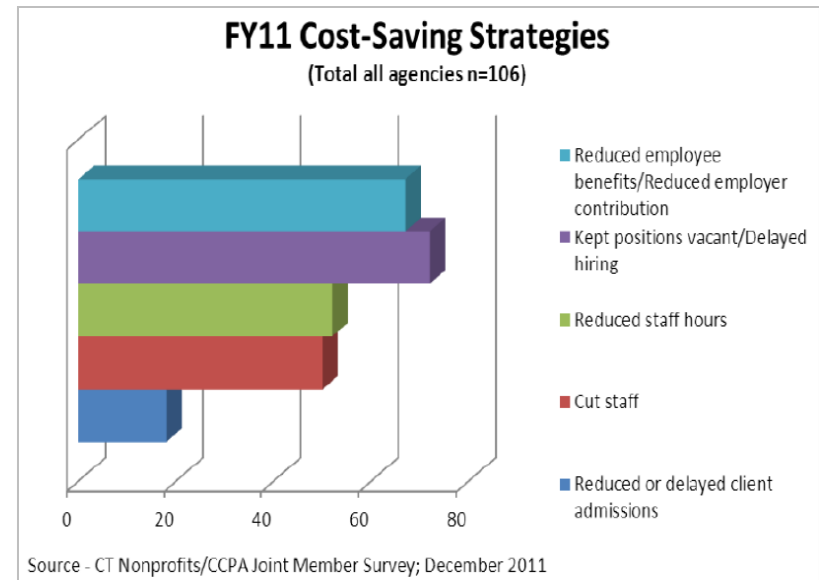
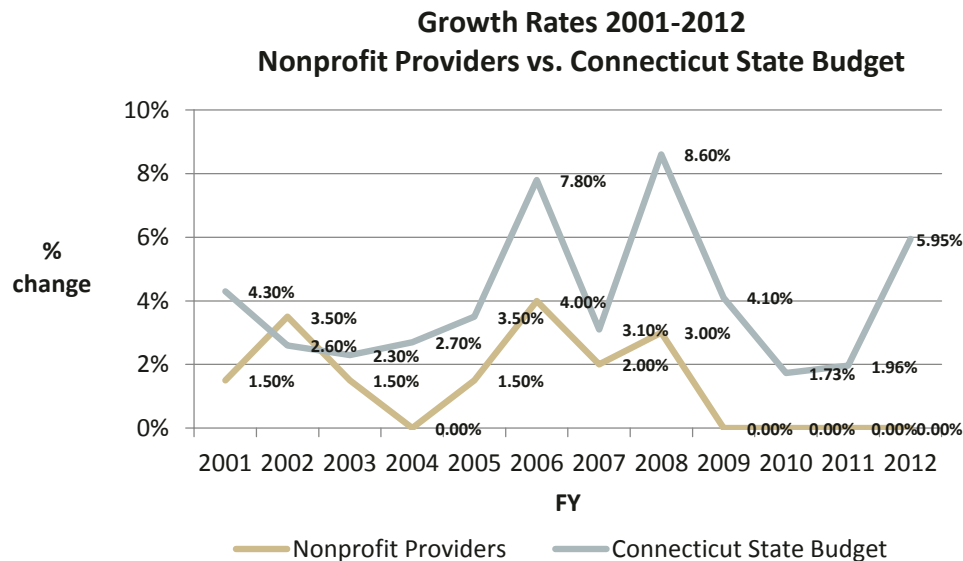
¹ Based on a filter of IRS Exempt Organization Tax Data including only organizations having tax filings from 2010 and later.

^{2,3} Flaherty, Patrick & Cretaro, Ron. "2011 Employment Stats for Connecticut's Nonprofit Sector." *Nonprofit Advantage*, pp.35. December 2012.

⁴ Number of Registered Nonprofit Organizations by State, 2008." National Center for Charitable Statistics. Available at: <http://nccs.urban.org/statistics/profiles.cfm>.

Impact of No Cost-of-Living Increases for Nonprofit Providers

- The State's reimbursement rate to private providers has not kept pace with rising costs. From 1986 to 2010, the compounded Consumer Price Index (CPI) increased 98.5% while the compounded Medical CPI rose by 209.1%.
- Meanwhile, during the same period the State's COLA for nonprofit community-based providers increased by only 33.2%.
- Nonprofit providers' rates have severely lagged the growth of the State's budget.²
- Despite employing innovative strategies to maximize efficiencies, such as entering into collaborations with other providers, implementing green technologies, engaging web-based solutions and billing systems that maximize revenues, and consolidating programs, providers have still been forced to take steps that negatively impact the State's economy.³



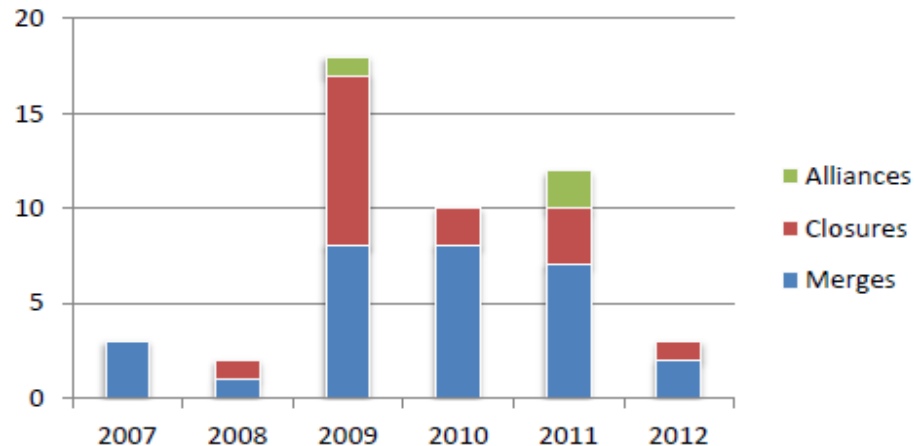
¹ Bureau of Labor Statistics, 1987-2010. "Consumer Price Index-All Urban Consumers: Medical Care"; BLS CPI 1987-2010 All Urban Consumers, Not Seasonally Adjusted (As of January 2011). FY12 & FY13 COLA based on Governor's Budget 2/16/2011.

² Data courtesy of CT Association of Nonprofits.

³ Governor's Cabinet on Nonprofit Health and Human Services, October 2012. Appendix 1: Impact of No Cost of Service Increases for Community Based Providers. Connecticut Association of Nonprofits and Community Providers Association.

Actions Taken by Nonprofit Providers in Response to No Cost-of-Living Increases

- More serious actions nonprofit providers have taken include closing or merging with other nonprofit providers. A report published by the Connecticut Council for Philanthropy outlines nonprofit closures, mergers and alliances from 2007 – 2012.¹



Note: Because the report was submitted in 2012, statistics for 2012 do not cover the entire year.

- Many employees of nonprofit organizations must rely on government assistance for health insurance and other benefits – this is somewhat anecdotal but raises other issues.
 - It's not clear how many people working for state-contracted nonprofit providers rely on government assistance, like the HUSKY Medicaid program. The governor's nonprofit cabinet has been trying to find out, but hasn't been able to because of computer glitches at the state Department of Social Services, said Deborah Chernoff a member of the cabinet and communications director for the New England Health Care Employees Union, District 1199, SEIU.
 - "Anecdotally, we know just from talking to our members that there are hundreds of people who do this work whose kids are on HUSKY because they can't afford medical insurance," she said.²

¹ "Connecticut Nonprofit Closures, Mergers and Alliances Report Summary 2007-2012." Connecticut Council for Philanthropy. February 2012.

² Levin Becker, Arielle. "Nonprofits try again to make their case: 'We're at a breaking point'." The Connecticut Mirror. December 11, 2012.

Connecticut Nonprofit Providers Are in a Dangerous Position

- Various State-mandated and national entities have examined the health of the nonprofit community providing services under POS contracts.
 - Governor's Cabinet on Nonprofit Health and Human Services – Report to Gov. Malloy (10/1/2012)
 - Nonprofit community has experienced financial decline over 10-year period.
 - Years without COLAs have caused providers to reduce expenses (e.g., employee health benefits).
 - Rates should be set at a minimum to cover the costs of care – these rates must be adequate as outlined by the evidenced-based practices to have the desired results.
 - OPM Annual *Purchase of Service Contracts* Reports (most recent: 10/19/2012)
 - Nonprofit providers are relatively liquid, having a defensive ratio well above the recommended goal.
 - Although liquidity is high, ability to draw on reserves is substandard.
 - Savings and debt ratios are poor as nonprofit providers have operated at losses removing flexibility in paying down debt and reinvesting in their organizations.
 - Urban Institute, *National Study of Nonprofit-Government Contracting* (2009)
 - 50% of nonprofit providers reported deficits – 5th highest in U.S.
 - 66% of nonprofit providers had to freeze or reduce salaries – highest in U.S.
 - 53% of nonprofit providers reported problems with late payments – 3rd highest in U.S.
 - 41% of nonprofit organizations provide feedback to government on contracting procedures – lowest in U.S.
 - 77% of nonprofit providers reported problems with payments not covering full cost of services – 7th highest in U.S.

Current State Contract with Private Providers

Connecticut's standard purchase-of-service contracts are cancellable and modifiable with the State having the ability to exercise these rights retroactively.

1. Contract Amendment.

b) The Agency may amend this Contract to reduce the contracted amount of compensation if:

1. the total amount budgeted by the State for the operation of the Agency or Services provided under the program is reduced or made unavailable in any way; or
2. federal funding reduction results in reallocation of funds within the Agency.

6. Ending the Contractual Relationship.

- b) The Agency may immediately terminate the Contract in whole or in part whenever the Agency makes a determination that such termination is in the best interest of the State. Notwithstanding Section D.2, the Agency may immediately terminate or cancel this Contract in the event that the Contractor or any subcontractors becomes financially unstable to the point of threatening its ability to conduct the services required under this Contract, ceases to conduct business in the normal course, makes a general assignment for the benefit of creditors, suffers or permits the appointment of a receiver for its business or its assets.
- d) The Agency may terminate the Contract at any time without prior notice when the funding for the Contract is no longer available.

7. Transition after Termination or Expiration of Contract.

- a) If this Contract is terminated for any reason or it expires in accordance with its term, the Contractor shall do and perform all things which the Agency determines to be necessary or appropriate to assist in the orderly transfer of Clients served under this Contract and shall assist in the orderly cessation of Services it performs under this Contract. In order to complete such transfer and wind down the performance, and only to the extent necessary or appropriate, if such activities are expected to take place beyond the stated end of the Contract term then the Contract shall be deemed to have been automatically extended by the mutual consent of the parties prior to its expiration without any affirmative act of either party, including executing an amendment to the Contract to extend the term, but only until the transfer and winding down are complete.

The Cabinet on Nonprofit Health and Human Services Made the Following Recommendations in their Report to the Governor (10/2012)

1. **Adopt Principles to Guide the State-Private Nonprofit Provider Partnership:**

- All contracted services are based on dynamic, data-driven systems; selection processes for contracted providers are transparent and competency-based; contract terms and renewals are based on the community's best interest and performance; contract amounts and timely payments are critical to maintaining a viable system; reporting and monitoring promote efficiency and accountability; and here is open communication and mutual accountability which are critical for government and nonprofit providers to fulfill their shared commitment to the public good.

2. **Adopt and Implement Cross-Agency Population Results:**

- Adopt the six Population Results Statements and Headline Indicators of Success noted in this report across all health and human services agencies and purchase of service contracts executed with private, nonprofit organizations; and link all related Results-Based Accountability (RBA) reporting and analysis to these results statements.
- Establish a Population Results Organizing Body to implement and oversee this work. A broad and diverse group that includes representation from each branch of state government and nonprofit agencies should be assembled under the direction of an appointed coordinator.

3. **Revise the State's Procurement Standards:**

- Standardize procurement practices for POS contracts across government branches and standardized training for all staff with procurement roles. Expand considerations for waivers from competitive bidding and increasing flexibility regarding timing and justification for rebidding to assure continuity of services. Agencies, whenever possible, should create an open planning process for service delivery that involves stakeholders. This planning will occur outside of procurement periods and provide agencies with context and considerations when developing an RFP.

4. **Reporting and Data:**

- Streamline data gathering by utilizing common file structures that comply with Federal requirements and maximize the use of modern electronic systems. Continue the ongoing effort by the State to aggregate audit and Nonprofit Strategy Platform data.
- The Office of Policy and Management should perform an annual trend report utilizing the analytical tools and all formulas applied over the past two years to examine the financial health of the private nonprofit providers. This report should be reviewed annually by the Governor's Cabinet on Nonprofit Health and Human Services.

5. **Sustainability of Private Nonprofit Providers:**

- The state insures payment rates cover the true cost of services as mutually agreed by provider and the funding state agency in a fair and transparent manner. In years without a cost of living adjustment (COLA), payment rates and service capacity should be reviewed to evaluate and respond to the changing costs where possible and appropriate.
- Systems to better address depreciation expenses for capital improvements and/or allow for capital reserves should be established in order to maintain the infrastructure of the private provider organizations and assist during times of unanticipated dramatic increases in cost of care resulting from market forces or disaster.

Best Practices in Health and Human Service Delivery Outside of Connecticut

- Washington State has a “Priorities of Government” approach to budgeting which provides a framework to help choose what state services best achieve pre-determined, expected statewide results.
- Illinois has developed several principles and best practices for creating an effective human service delivery system that brings together nonprofit providers and state agencies.
- New York and Illinois have constitutional commitment to the responsibilities of the State to provide Health and Human Services. Additionally, New York has outlined detailed recommendations toward building a healthy and sustainable nonprofit sector for service delivery.
- Minnesota has implemented and demonstrated success in utilizing performance-based contracting in the delivery of public services. Additionally, they have implemented a Shared Master Index (SMI), a database that serves a cross-referencing tool to coordinate client services across state and county systems for multiple program areas (e.g., eligibility for cash, food, medical, child support and welfare programs).
- Texas has implemented an integrated enrollment system which provides the technical foundation to support a menu of options for residents to apply for state services. The system automatically applies program rules and determines eligibility, streamlining determination of cash, medical and food assistance eligibility.
- Indiana utilizes managed competition, an approach where public and private providers compete for service contracts and clients wherever multiple companies offer the same core services – a necessity for facilitating competition.
- Oklahoma’s Department of Rehabilitation Services has implemented a milestone contracting methodology. This approach represents one of the most promising ways to achieve accountability and autonomy simultaneously.
- Arizona has created a dictionary and taxonomy of human services, which is a collaborative effort to develop a common language by major funders and planners throughout the State who participate as members of the Arizona Taxonomy Committee. The purpose of this Committee is to uniformly describe services and identify consistent terminology.
- While many states have shifted to health and human services systems based on the private provision of services, there is evidence that privatization cannot be the whole answer. In 2001, North Carolina's General Assembly called for sweeping changes to the state's mental health care system. The state privatized the provision of local and regional mental health services by requiring that local jurisdictions contract out delivery of services. As a result, the quality of care that North Carolinians with mental illness receive has declined while allegations of fraud and waste have increased.
- Shared workspaces for nonprofit organizations have been shown to significantly improve effectiveness and efficiency among most resident organizations while helping them achieve their organizational missions through cost savings, improved quality and accessibility of space, higher visibility in the community, improved employee morale, and increased collaboration with other resident organizations.
- England has been on the forefront of innovations in public-service delivery. Two concepts include collaborative service delivery and co-design. Each are built around integrating multiple stakeholders into each service and requires feedback and input for continuous improvement.

Best Practice in Health and Human Service Delivery in CT

Performance-Based Contracting in the Judicial Branch

- The Judicial Branch's Court Support Services Division (CSSD) has implemented performance –based contracting with its purchase-of-service partners.
 - The Judicial Branch CSSD contracts for \$100m in services, nearly 20% of the Judicial Branch budget
 - Contracted program performance can impact risk reduction
- Key objectives are:
 - To more formally integrate Results-Based Accountability (RBA) into the contracting process
 - To standardize inclusion of contractor past performance in the RFP review process
 - To acknowledge excellent contractor performance
 - To address contractor under performance in an objective and consistent manner
- Benefits to CSSD and contractors are that:
 - It provides an objective method for the Judicial Branch to responsibly spend taxpayer dollars and improve public safety
 - Incentives are created for contracted agencies and staff to improve program performance, financial management, and contract compliance
 - There are graduated consequences for under-performing contractors
 - It integrates Results-Based Accountability (RBA) Principles into the contracting process