



DATE: February 27, 2019
TO: Government Administration and Elections Committee
FROM: Ben Shaiken, Manager of Advocacy & Public Policy
RE: S.B. 917 An Act Concerning the State Contracting Standards Board and Requirements for Privatization Contracts

Good morning Senator Flexer, Representative Fox, Senator Sampson, Representative France and distinguished members of the Government Administration and Elections Committee:

My name is Ben Shaiken, Manager of Advocacy & Public Policy at the Connecticut Community Nonprofit Alliance (The Alliance). The Alliance is the statewide advocacy organization representing nonprofits, with a membership of more than 300 community organizations and associations. Nonprofits deliver essential services to more than half a million people each year and employ almost 14% of Connecticut's workforce.

I appreciate the opportunity to testify in opposition to S.B. 917 An Act Concerning the State Contracting Standards Board and Requirements for Privatization Contracts. This bill will stop the conversion of services from the state to high-quality, more cost-effective nonprofits. Section 1 of the bill changes the definition of "privatization contract" to include all contracts with nonprofit agencies entered into on or after July 1, 2019 (current statutes exempt nonprofit providers from the definition.) In addition, Sections 4, 5, and 6 would almost entirely stop the conversion of State services to the nonprofit sector by adding significant administrative burdens to state agencies that are looking to convert services to the nonprofit sector. Section 6 would go beyond contracts entered into after Jul 1, effecting all contracts that come up for renewal.

The bill would cost the State more money than is necessary to provide services, meaning fewer people will be supported. It would also unduly burden nonprofits that contract with the state to provide human services to Connecticut's most vulnerable people. It's hard to see a policy public justification for that in an era of limited resources.

Community providers are partners with the State in serving people in need; they take care of the developmentally disabled, feed the hungry, provide behavioral health and substance abuse treatment, help prisoners transition into the community, and much more. **Community providers already deliver more than 90% of residential services to people with Intellectual/Developmental Disabilities (I/DD) and 60% of clients served by Local Mental Health Authorities.**

Nonprofit providers deliver services at significantly lower cost than when the state delivers the services directly. In the current budget climate, Connecticut needs to accelerate the pace of converting services to the nonprofit sector, not slow it down. While providers welcome accountability for their services, **we are concerned that S.B. 917 will slow conversion of services to the nonprofit sector at a time when the State is looking to become efficient and cost effective.**

Attached is a fact sheet that outlines several examples of the high-quality services delivered by community providers at a substantially lower cost than state-operated services.

We urge the Committee to take no action on S.B. 917. Thank you for your consideration of this important issue.



Nonprofit Community Services Save the State Money

Community nonprofits are partners with the State to serve people in need; they provide exceptional services that improve the quality of life for individuals receiving care at a lower cost than services delivered by the State. **As the need for essential community services continues to grow, the State should preserve and expand the use of community services** to more effectively use limited dollars for services to those in need. Converting services to the nonprofit sector can be accomplished in compliance with the SEBAC agreement through attrition and the assignment of state employees to other duties.

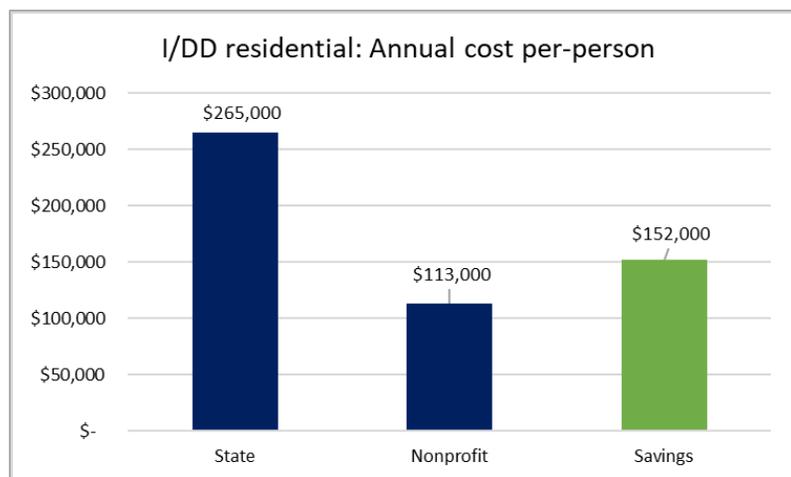
Community nonprofits provide services more efficiently while maintaining quality, achieving significant savings for the State. This is true even when salaries are increased for nonprofit employees. For example, nonprofits negotiate medical and dental insurance every year, while the State is locked into a contract. Nonprofits also don't have long-term debt obligations associated with healthcare and retirement payments and can more easily manage overtime.

It's time for policymakers to make structural changes that will make services more affordable in the short- and long-term.

Intellectual/Developmental Disability Services

The average annual cost to serve an individual with intellectual/developmental disabilities living in a state-operated group home was \$265,000, according to the General Assembly's Program Review & Investigations (PRI) Committee. The cost for a community nonprofit to provide the same service was \$113,000. **That means the State would have saved \$152,000 per person per year** by providing group home services in the community compared to state provision of the same services.

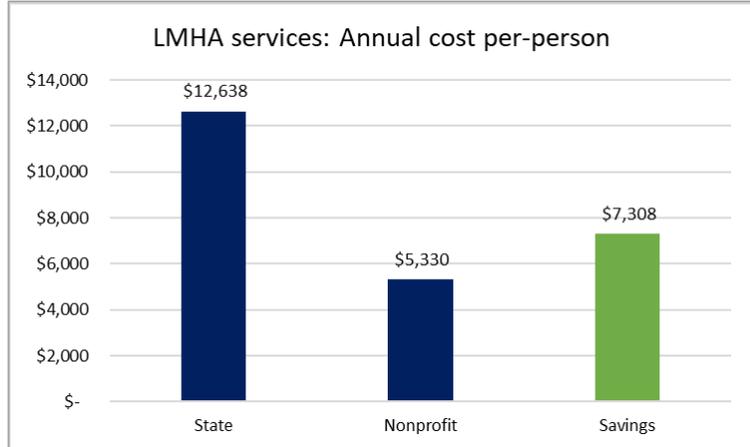
Community providers deliver high quality care. The same PRI study looked at the experience of 17 group homes that had been converted from state to nonprofit operation and found that **quality does not deteriorate in private, nonprofit settings and, in many cases, improves**. Community based homes received nearly 40% fewer deficiencies when inspected compared to when the same homes were run by state government, and that only 13% of the nonprofit homes were cited for "plan of correction" deficiencies, while 38% of state-run homes were cited. The report goes on to conclude that, "in all categories there were fewer deficiencies after the conversion to private (nonprofit) homes."



Local Mental Health Authorities

Local Mental Health Authorities (LMHA) provide therapeutic and crisis intervention services to Connecticut's most seriously mentally ill. Of the thirteen LMHAs, seven are run by community nonprofits and six are state-operated.

The per-patient **cost of state-operated LMHAs is more than double the cost of nonprofit** LMHAs. The average cost-per-client for state-operated LMHAs in FY16 was \$12,638 per year, compared to \$5,330 for nonprofit LMHAs.



The state can save more than \$7,000 per client per year if it converted LMHAs to nonprofit operation. With almost 14,000 clients served by state-operated LMHAs in FY16, converting services to providers can result in savings that can be used to serve more people in need of behavioral health services, especially important in the midst of an opioid crisis.

Foster Care Service Delivery

Foster care services are provided by both the State and community providers, making the delivery of services costly and inefficient. **Nonprofits can provide high quality services for all the children currently in the foster care system.** The State's roles as both provider and regulator of foster care services has created an environment in which **nonprofits must compete with the State to recruit and retain foster families.** These parallel systems maintain two separate silos of information for children in the foster care system. Shifting the delivery of foster care services into the community and creating a single system for all children would create the opportunity to better address children's needs.

Recommendations

These are three significant areas in which nonprofits can save the state money:

- Intellectual/Developmental Disability Services
- Local Mental Health Authorities
- Foster Care Service Delivery

The State can either maintain the expensive status quo of providing direct services and serve fewer people or use the nonprofit sector to serve more people at a lower cost. Acknowledging that nonprofits provide exceptional services that improve the quality of life for individuals receiving care, the State should preserve and expand the use of community services, effectively using limited dollars to provide quality care to all people in need.