The Alliance
Voice of Community Nonprofits

DATE: February 16, 2021
TO: Human Services Committee
FROM: Ben Shaiken, Manager of Advocacy & Public Policy, The Alliance
RE: H.B. 6319 An Act Concerning Payment Recoveries and Incentives Under Public Assistance Programs

Good afternoon Senator Moore, Representative Abercrombie, Senator Berthel, Representative Case and members of the Human Services Committee.

My name is Ben Shaiken, Manager of Advocacy & Public Policy at the CT Community Nonprofit Alliance (The Alliance). The Alliance is the statewide association of community nonprofits. Community nonprofits provide essential services in every city and town in Connecticut, serving half a million people in need and employing 117,000 people across the State. They are an important part of what makes Connecticut a great place to live and work and an important piece of our economy.

Thank you for the opportunity to provide testimony **in support of Section 2 of H.B. 6319 An Act Concerning Payment Recoveries and Incentives Under Public Assistance Programs.** This bill would fully implement the Innovation Incentive Program.

The Innovation Incentive Program **allows community nonprofits to retain savings** at the end of a contract term and **reinvest** those savings into the provision of services.

This is not the first time we have come before this Committee to stress the importance of flexibility in funding for nonprofits. But this year is unique in that COVID-19 has demonstrated exactly how **illogical it is that nonprofits were forced to pay money back to the State in the midst of a deadly pandemic**.

If the Innovation Incentive Program had been enacted, community nonprofits would have had much greater flexibility to respond to the pandemic. They could have much more easily purchased PPE for their staff, provided hazard pay to essential workers, and better supported people working on the front lines of COVID-19.

The pandemic and the innovations we've made regarding telehealth and telework are also noteworthy. But the reality is that most providers did not have telehealth infrastructure in place prior to the pandemic and had to design a system overnight, including the purchasing of laptops, online security and privacy systems, virtual meeting platform licenses, issuance of smartphones to regular patients, etc. These investments have been made at enormous expense, much of it unplanned. Had the Innovation Incentive Program been in place, nonprofits would have had more access to capital and reserves and been able to make these transitions much more smoothly.

Nonprofits that needed to remain open during the pandemic and provide services in person have also struggled due to lack of flexibility in funding. They, on their own, found and funded the acquisition of PPE to protect staff and clients while the State struggled to build up reserves.

In June, Connecticut was beginning to plan to gradually reopen facilities that had been closed, and so were providers where in-person services had been suspended. They were planning for facility modifications, increased cleaning and PPE costs, and more. For those services that remained in-person, some staff had been receiving hazard pay due to temporary state and federal funding, which was scheduled to expire on July 1. Many programs had reduced their census in order to better facilitate social distancing, reducing program revenue. And many providers had recently received a much-needed influx of cash from the federal government through the Paycheck Protection Program (that initially required all funds to be spent within several weeks) and the Provider Relief Fund.

In the midst of this environment, when asked what would help them most navigate these challenges, nonprofit provider said: "**Flexibility**." Instead, on June 30, **despite receiving $1.4 billion in federal relief dollars, the State again asked providers to return any unspent state funds**.

The pandemic has exacerbated issues of underfunding that nonprofits have been struggling with for year and brought to light new issues related to their inability to retain savings. If nonprofits could retain savings while still meeting contractual obligations, they could work towards being properly capitalized and more able to adjust to turbulence in the State budget – or during crisis situations like the one was are facing now.

We ask the Committee to please expand and put into practice the Innovation Incentive Program **that would promote efficiency.** The current State contracting process encourages "spending to the line," or spending all allocated funds, rather than encouraging efforts to realize efficiencies or economies of practice. An efficient or innovative nonprofit that succeeds in meeting every contractual expectation experiences no net benefit compared to a less efficient agency that spends all allocated funds.

Despite support from this Committee and the nonprofit community since 2017, including passing two laws (Public Acts 17-117 and 19-127), the Innovation Program has yet to be implemented. We think this year, above all others, has heightened the sense of urgency and need for the program. Given the unprecedented situation of the COVID-19 pandemic, when providers need the ultimate flexibility to keep their programs operational and their staff and clients safe, **we urge the Committee to support Section 2 of H.B. 6319.**

As background:

- In 2017, the legislature established a pilot for the Innovation Incentive Program through Public Act 17-122, but the implementation of that pilot was optional, and unfortunately it was never put into practice.
- In 2019, the legislature passed Public Act 19-127, which mandated that the pilot be implemented.
- Unfortunately, however, that pilot program was reduced to only allow certain agencies that contract with the Department of Developmental Services to participate and to only retain 60% of the revenue they saved through efficiencies (and pay 40% of it back to the State).
- Even though P.A. 19-127 was signed into law on July 1, 2019 and required implementation in FY20, the application to participate in this limited pilot only closed a few weeks ago, on December 31.

Thank you for your consideration of this important topic.