



Senate

General Assembly

File No. 130

January Session, 2025

Substitute Senate Bill No. 1231

Senate, March 19, 2025

The Committee on Government Administration and Elections reported through SEN. FLEXER of the 29th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING STATE CONTRACTS WITH NONPROFIT HUMAN SERVICES PROVIDERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) As used in this section and
2 section 2 of this act, (1) "nonprofit human services provider" means a
3 nonprofit entity that contracts with the state to provide health and
4 human services that may include, but need not be limited to: (A)
5 Services for persons with a physical disability, (B) services for persons
6 with intellectual disability or developmental disabilities, including, but
7 not limited to, autism spectrum disorder, and (C) behavioral health
8 services; and (2) "purchase of service contract" and "state agency" have
9 the same meanings as provided in section 4-70b of the general statutes.

10 (b) Not later than January 1, 2026, and every five years thereafter, the
11 Secretary of the Office of Policy and Management shall, in consultation
12 with representatives of nonprofit human services providers, complete a
13 review of the state's purchase of service contracts with nonprofit human

14 services providers to determine whether the rates such providers are
15 paid to deliver health and human services pursuant to such contracts
16 adequately compensate such providers for providing the level of
17 services expected by the state agency contracting with such provider.
18 For any review conducted after July 1, 2026, the secretary shall examine
19 the contracts and agreements for such services of not less than two state
20 agencies each year.

21 (c) Not later than February 1, 2027, and every five years thereafter,
22 the secretary shall submit a report, in accordance with the provisions of
23 section 11-4a of the general statutes, to the joint standing committees of
24 the General Assembly having cognizance of matters relating to human
25 services, government administration and appropriations and the
26 budgets of state agencies. Such report shall include (1) a summary of the
27 results of the review conducted under subsection (b) of this section, (2)
28 any applicable recommendations concerning requiring contracting state
29 agencies to reduce contractual expectations if those expectations are not
30 adequately funded by the contract or agreement, and (3) any
31 recommended legislation necessary to implement such
32 recommendations.

33 Sec. 2. (NEW) (*Effective from passage*) (a) Not later than January 1, 2026,
34 and triennially thereafter, the Secretary of the Office of Policy and
35 Management shall conduct a review of any reports that nonprofit
36 human services providers are required to file with various state
37 agencies, including requirements for program licensure or certification.
38 Such review shall include, but not be limited to, the number of reports
39 that are required to be filed, the amount of overlapping information in
40 such reports, the time and resources needed for providers to prepare
41 and file the reports, the reasons for requiring such reports and an
42 analysis of how the reports are utilized by the state agency receiving
43 such reports. State agencies and nonprofit human services providers
44 shall provide any information requested by the secretary for purposes
45 of such review.

46 (b) The secretary shall eliminate or consolidate any reporting

47 required by a state agency that the secretary identifies under subsection
48 (a) of this section as unduly burdensome or duplicative, unless such
49 reporting is (1) necessary to prevent fraud or misuse of funds, (2)
50 prescribed under federal law or regulation for the use of federal funds,
51 or (3) required under any provision of state law.

52 (c) Not later than February 1, 2027, and triennially thereafter, the
53 secretary shall submit a report, in accordance with the provisions of
54 section 11-4a of the general statutes, to the joint standing committees of
55 the General Assembly having cognizance of matters relating to human
56 services, government administration and appropriations and the
57 budgets of state agencies. Such report shall include a summary of the
58 results of the review conducted under subsection (a) of this section, any
59 reporting eliminated or consolidated under subsection (b) of this section
60 and any recommendations for any legislation necessary to eliminate
61 burdensome or duplicative reporting requirements required under state
62 law.

63 Sec. 3. Subsection (d) of section 4-70b of the general statutes is
64 repealed and the following is substituted in lieu thereof (*Effective July 1,*
65 *2025*):

66 (d) The secretary shall establish uniform policies and procedures for
67 obtaining, managing and evaluating the quality and cost effectiveness
68 of direct health and human services purchased from a private provider
69 organization or municipality. To the extent permissible under federal
70 law, such policies and procedures shall include, but not be limited to, a
71 requirement that a private provider organization receive payment for
72 any services provided pursuant to a purchase of service contract not
73 later than forty-five days after the receipt of a properly completed claim
74 or the receipt of such services, whichever is later, in accordance with
75 section 4a-71. The secretary shall require all state agencies which
76 purchase direct health and human services to comply with such policies
77 and procedures.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>July 1, 2025</i>	4-70b(d)

Statement of Legislative Commissioners:

In section 1(b), "For the purposes of such review" was replaced with "For any review conducted after January 1, 2026", for clarity.

GAE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do 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.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Policy & Mgmt., Off.	GF - Cost	Up to \$3.4 million	425,000
State Comptroller - Fringe Benefits ¹	GF - Cost	173,000	173,000
Various State Agencies	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in a cost of up to \$3.4 million in FY 26 and approximately \$425,000 in FY 26 to the Office of Policy and Management (OPM) for various requirements including reviews and reports related to nonprofit human service providers.

The cost to OPM consists of four new positions and associated training and supplies at approximately \$425,000 in FY 26 and FY 27.² There is a corresponding cost of \$173,000 in FY 26 and FY 27 to the Office of the State Comptroller (OSC) for associated fringe benefits.

The bill also results a one-time cost of approximately \$2 million to OPM in FY 26 for vendor costs to meet the January 1, 2026, review

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.71% of payroll in FY 26.

² The four positions in OPM consist of two account examiners, one grants and contract specialist, and one staff attorney.

deadline. This includes a consultant to conduct research on the existing purchase of service contracts and reporting requirements.³ There is also a potential cost of \$1 million to the extent Core-CT requires any changes or upgrades.

The bill also requires state agencies contracting for direct human services to pay providers within 45 days of service delivery. While the new parameters may shift the timing of payments to providers, they do not alter the overall value of the contracts. State agencies may incur administrative costs to the extent they are required to modify their payment structure and hire additional staff to satisfy the 45-day payment deadline, as outlined in the bill. For context, the starting salaries for related fiscal staff range from approximately \$65,000 to \$100,000 annually.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

³ OPM estimates there are more than 1,500 existing purchase of service contracts that would have to be reviewed.

OLR Bill Analysis**sSB 1231*****AN ACT CONCERNING STATE CONTRACTS WITH NONPROFIT HUMAN SERVICES PROVIDERS.*****SUMMARY**

This bill generally requires the Office of Policy and Management (OPM) secretary to review and report on certain issues affecting nonprofit human services providers that contract with state agencies. More specifically, it requires him to report (1) every five years on whether the contracts adequately compensate the providers for the level of service expected by their contracting state agency and (2) every three years on any burdensome or duplicative reporting requirements the providers must meet for the state.

The bill also generally requires the OPM secretary, to the extent allowed under federal law, to require that state agencies pay the providers within 45 days after they deliver their contracted services or submit a properly completed claim and subjects them to a law requiring interest on late payments.

Under the bill, a “nonprofit human services provider” is a nonprofit entity that contracts with the state to provide health and human services such as (1) services for people with a physical disability; (2) services for people with intellectual or developmental disabilities, including autism spectrum disorder; and (3) behavioral health services. A “state agency” is any department, board, council, commission, institution, or other executive branch agency.

EFFECTIVE DATE: Upon passage, except that the provision requiring providers to be paid within 45 days is effective July 1, 2025.

ADEQUATE COMPENSATION FOR PROVIDERS

The bill requires the OPM secretary to complete a review of the state's purchase of service contracts and personal service agreements with nonprofit human services providers to determine whether their pay rates adequately compensate the providers for the level of service expected by their contracting state agency. The review must be done in consultation with the providers' representatives. The bill requires the first complete review to be finished by January 1, 2026, followed by another complete review every five years. For reviews done after July 1, 2026, OPM must review the contracts and agreements of at least two state agencies each year.

Then, starting by February 1, 2027, the secretary must submit a report to the Human Services, Government Administration and Elections (GAE), and Appropriations committees every five years. The report must include (1) a summary of the review, (2) any applicable recommendations on requiring contracting state agencies to reduce their contractual expectations if they are not adequately funded by the contract or agreement, and (3) any recommended legislation needed to implement the recommendations.

Under the bill, a "purchase of service contract" is a contract between a state agency and a private provider organization or municipality (but not an individual) to obtain direct health and human services for agency clients, but generally not for material goods or administrative, clerical, training, or consulting services.

BURDENSOME AND DUPLICATIVE REPORTING REQUIREMENTS

The bill requires the OPM secretary, starting by January 1, 2026, to triennially review any reports that nonprofit human services providers must file with state agencies. The review must at least look at (1) how many reports must be filed, (2) the amount of overlapping information in them, (3) the time and resources needed to prepare and file them, (4) why the reports are required, and (5) how state agencies use them. State agencies and the providers must give the secretary any information he requests for the review.

The bill requires the secretary to eliminate or consolidate any reporting requirement that he identifies in the review as unduly burdensome or duplicative, unless it is (1) needed to prevent fraud or misuse of funds, (2) required by federal law or regulations to use federal funds, or (3) required by state law.

Starting by February 1, 2027, the secretary must triennially submit a report to the Human Services, GAE, and Appropriations committees. The report must include a summary of the review's results, any reporting eliminated or consolidated as required by the bill, and any recommendations for legislation needed to eliminate burdensome or duplicative reporting requirements under state law.

PAYMENTS TO PROVIDERS

By law, the OPM secretary must set uniform policies and procedures for obtaining, managing, and evaluating the quality and cost effectiveness of direct health and human services purchased from private provider organizations or municipalities. Under the bill, these policies and procedures must include, to the extent allowed under federal law, a requirement that a private provider organization be paid for services it delivers under a purchase of service contract within 45 days after receipt of the services or a properly completed claim, whichever is later. In addition, the payments must comply with the law on prompt payment by state departments and agencies, which generally requires state agencies to pay interest on amounts due when they fail to make timely payments.

As under existing law, the secretary must require all state agencies that purchase direct health and human services to follow these policies and procedures.

COMMITTEE ACTION

Government Administration and Elections Committee

Joint Favorable Substitute

Yea 19 Nay 0 (02/28/2025)