



Senate

General Assembly

File No. 134

January Session, 2025

Substitute Senate Bill No. 1358

Senate, March 19, 2025

The Committee on Human Services reported through SEN. LESSER of the 9th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING EQUITABLE COMPENSATION FOR STATE- CONTRACTED 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, (1)
2 "nonprofit human services provider" means a nonprofit provider that
3 contracts with the state to provide human services that may include, but
4 need not be limited to: (A) Services for persons with a physical
5 disability, (B) services for persons with intellectual disability or
6 developmental disabilities, including, but not limited to, autism
7 spectrum disorder, and (C) behavioral health services; and (2) "state
8 agency" has the same meaning as provided in section 4-37e of the
9 general statutes.

10 (b) On July first annually, a state agency contracting with a nonprofit
11 human services provider shall increase rates for recurring contracts by
12 the percentage increase in the consumer price index for all urban
13 consumers in the northeast region in the previous calendar year. If such
14 consumer price index decreases, a state agency shall not decrease rates

15 for such provider.

16 (c) On July first annually, the Commissioner of Social Services shall
17 adjust Medicaid rates for nonprofit human services providers
18 contracting with the Department of Social Services by the percentage
19 rate increase, if any, for state agency contracts pursuant to subsection
20 (b) of this section, unless such adjustment is not permissible under
21 federal law governing the Medicaid program.

22 (d) Not later than January 1, 2026, and every three years thereafter,
23 the Secretary of the Office of Policy and Management shall file a report,
24 in accordance with the provisions of section 11-4a of the general statutes,
25 with the joint standing committees of the General Assembly having
26 cognizance of matters relating to appropriations and the budgets of state
27 agencies, human services and public health on state agency contracts
28 with nonprofit human services providers. The report shall include, but
29 need not be limited to, any appropriations needed to ensure that rates
30 for all such contracts in subsequent fiscal years include any increase in
31 the consumer price index for all urban consumers in the northeast
32 region in the previous calendar year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

HS *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 \$
Social Services, Dept.	GF - Cost	\$55 million	at least \$55 million
Various	GF - Cost	at least \$72 million	at least \$72 million
Resources of the General Fund	GF - Revenue Gain	at least \$20 million	at least \$20 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in a significant cost to the state associated with requiring annual increases in non-profit human services provider contracts and Medicaid rates. The increase is based on any percentage increase in the consumer price index (CPI) for urban consumers in the northeast region for the previous calendar year. This does not apply if the CPI decreases. Based on calendar year 2024, this results in a 3.5% increase in FY 26.

Based on historical increases for human services related providers, the bill is anticipated to result in additional state costs of at least \$72 million in FY 26 and FY 27. This results in a related federal grants revenue increase of approximately \$20 million to reflect the federal share of Medicaid eligible expenditures that are gross funded outside of the Department of Social Services (DSS).

The bill also results in a state cost to DSS of approximately \$55 million

in FY 26 and at least \$55 million in FY 27 based on Medicaid expenditures to non-profit providers.

If the applicable CPI increases similarly in FY 27, the state will incur additional costs of at least \$127 million with a corresponding federal grants revenue gain of at least \$20 million.

The Out Years

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

OLR Bill Analysis**sSB 1358*****AN ACT CONCERNING EQUITABLE COMPENSATION FOR STATE-
CONTRACTED NONPROFIT HUMAN SERVICES PROVIDERS.*****SUMMARY**

This bill establishes annual inflationary increases for rates paid to nonprofit human services providers that contract with the state. It also requires the Office of Policy and Management (OPM) to report every three years on appropriations needed to make these increases. Under the bill, a nonprofit human services provider includes nonprofit organizations that perform (1) services for people with physical, intellectual, or developmental disabilities (including autism spectrum disorder) or (2) behavioral health services.

Specifically, the bill requires any state agency contracting with a nonprofit human services provider to annually increase rates by July 1 for recurring contracts by the percentage increase in the consumer price index (CPI) for all urban consumers in the northeast region in the previous calendar year (a measure of inflation). The requirement applies to contracts with any state board, authority, commission, department, office, institution, council, or other agency of the state, including higher education institutions. It prohibits state agencies from decreasing rates if the CPI decreases.

The bill similarly requires the Department of Social Services (DSS) commissioner to adjust Medicaid rates annually on July 1 for nonprofit human services providers contracting with DSS. The increase is the same percentage increase, if any, for state agency contracts described above. DSS must make the adjustment unless federal Medicaid laws do not allow it.

EFFECTIVE DATE: Upon passage

OPM REPORT

The bill requires OPM to report every three years, starting by January 1, 2026, to the Appropriations, Human Services, and Public Health committees on state agency contracts with nonprofit human services providers. The bill requires the report to include any appropriations needed to ensure that rates for the contracts in future fiscal years include any increase in the CPI for all urban consumers in the northeast region in the previous calendar year.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Substitute

Yea 16 Nay 6 (03/04/2025)