

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
<http://www.cga.ct.gov/ofa>

sSB-1358

AN ACT CONCERNING EQUITABLE COMPENSATION FOR STATE-CONTRACTED NONPROFIT HUMAN SERVICES PROVIDERS.

As Amended by Senate "A" (LCO 9600)

Senate Calendar No.: 123

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 28 | FY 29 |
|-------------------------------|----------------------|--------------------------|--------------------------|
| Social Services, Dept. | GF - Cost | at least \$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. Assuming a similar increase to calendar year 2024, this results in a 3.5% increase in FY 28.

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 28 and FY 29. 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

Primary Analyst: ES
Contributing Analyst(s): LD, LG
Reviewer: RW

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the Department of Social Services (DSS).

The bill also results in a state cost to DSS of at least \$55 million in FY 28 and FY 29 based on Medicaid expenditures to non-profit providers.

If the applicable CPI increases similarly in FY 29, the state will incur additional costs of at least \$127 million with a corresponding federal grants revenue gain of at least \$20 million.

Senate "A" changes the start date for the rate increases required by the underlying bill to July 1, 2027, which shifts the associated costs from FY 26 to FY 28.

The Out Years

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

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does 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.