

Government Administration and Elections Committee

JOINT FAVORABLE REPORT

Bill No.: SB-1231

AN ACT CONCERNING STATE CONTRACTS WITH NONPROFIT HUMAN

Title: SERVICES PROVIDERS.

Vote Date: 2/28/2025

Vote Action: Joint Favorable Substitute

PH Date: 2/7/2025

File No.:

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SPONSORS OF BILL:

Government Administrations and Elections Committee

REASONS FOR BILL:

There has been a growing concern among nonprofit human services providers about the prohibitive costs of duplicative and redundant reports. There has also been concerns over the delay in payments as many of these nonprofit agencies have to front costs for an extended period before they can recuperate costs. They have also been limited in recruiting top talent for executive director positions as for-profit organizations are able to offer significant compensation packages when compared to the caps these nonprofit agencies can offer. This bill would seek to address these concerns.

Substitute Language:

The substitute language strikes section four which repeals section 17a-227d and section 17a-476a of the general statute.

RESPONSE FROM ADMINISTRATION/AGENCY:

Claudio Gualtieri, Senior Policy Advisor, Office of Policy and Management:

The bill requires new reporting requirements for OPM beginning January 1, 2026. This would require additional staff, funding for a consultant to do the initial work, and costs to develop or

enhance systems to capture and analyze information. OPM and state agencies already weighed in on the level of funding in a recommendation to support private providers. The governor has already proposed an increase for private providers for FY 2026 and FY 2027. Our concerns are that the bill undermines our focus on client-centered care. The bill repeals CGS 17a-227d and 17a-47a on cost allowances caps for executive director salaries. Removing the caps would raise costs to support higher executive pay therefore we oppose the bill.

NATURE AND SOURCES OF SUPPORT:

Rose Catlin, CEO, Friendship Service Center, New Britain:

Opal Montes, Operating Officer, Friendship Service Center, New Britain:

Suzy Rivera, Chief Administrative Officer, Friendship Service Center, New Britain:

Casey Catellia, Director of Programs, Friendship Service Center, New Britain

As a homeless service organization, we provide a continuum of services to people at risk and employ roughly 50 people. Last year we served 904 people from 743 households in five towns. We have 12 contracts with the state, seven from DOH, four from DMHAS and one from the State Department of Justice. We hold multiple contracts providing emergency shelters but do not receive the full amount that fully support staffing functions. This bill will direct the Office of Policy and Management to evaluate state agencies rates for nonprofits, but many have not been adjusted in many years. Contracts with the state are often untimely and this bill directs payment for services within 45 days which will be very helpful. Nonprofit business scarcity mind set is real we may have a passion for our work, but we also need to support ourselves.

Jennifer Chadukiewicz, Chief Strategy Officer, SCADD:

As a continuum care facility for substance use disorder regardless of financial means in New London, we offer men's and women's high intensity and low intensity residential treatment programs in New London, Norwich, and Lebanon. We are a funded Agency licensed by the DPH through payments via DDS (Medicaid) with 213 employees who serve five thousand people including our outreach programs. The bill will update contract language that has not been done in decades with a gap in documented expectations and the actual demands placed on providers. Duplication of reporting and lack of standardization is a challenge in state agencies. With a workforce shortage we need more consistency in our contract requirements and licenses.

Becky Bayne, Chief Financial Officer, MidState Arc, Inc:

Kathryn Wood, Director of Community Integration for MidState Arc, Inc:

Courtney Spector, Licensed Clinical Social Worker, MidState Arc, Inc:

The bill takes steps to improve the issues nonprofits face with state contracts. Our contracts with DDS are multi-year and the last time an amendment was required DDS updated the State's oversight agency. We are required to sign and return within 24 to 48 hours, but our payments may not be released in a timely manner. We may not be able to negotiate individual provisions of a contract, but we are not provided an opportunity to have open discussions on contract changes. There are also extensive reporting requirements at set fees making a fee for service arrangement. The bill will repeal two unnecessary sections that restrict our ability to compensate our executive directors at an attractive rate.

Ben Shaiken, Director, Government Relations, Connecticut community Nonprofit Alliance:

Many contacts with state agencies have not been adjusted in years except for the Cost of Living Adjustment through the budget process. Review contract rates as this bill will do should adequately compensate community nonprofit providers. The reviewing process of nonprofits is burdensome or duplicative. It has been over a decade since there was a comprehensive review of the POS system. State government has made strides, but they have little impact on services provided. We approve the rendering of payments within 45 days. There are some agencies that don't receive payments for 6 months and they are expected to front the costs of their programs. Section 4 repeals statutory salary caps but it would be simpler to just remove the statute completely.

Jessica Chan, Program Manager, Medical Services, Child and Family Agency, Southwestern Connecticut:

I oversee 20 school-based health centers including 17 with on-site medical centers and 3 in a hub and spoke model. These offer in-person appointments at the nearest physical location. Thirteen of these receive funding from DPH and 6 are funded by the ARPA plan and one district-funded. With 51 staff members we serve New London, Groton, Stonington, Ledyard and LEARN Communities. We are required under DPH to submit triennial reports which present challenges. Inflation has increased medical supplies and staff retention through competitive salaries. This bill would help us remain competitive with other communities.

Marek Kukula, Chief Executive Officer, Catholic Charities:

Catholic Charities employs approximately 400 service delivery professionals and provides services to over 10,000 individuals and families annually. State agencies have data systems to collect client services and they burden non-profits with costs for data staff and maintaining multiple electronic portals from our EMRs to state data systems. There are systems that require duplicate data entry and there is no data batching between EMRs system and the CDCS system. We have included recommendations to address issues in our testimony. We do appreciate repealing the section that restricts a nonprofit's ability to compensate their executive directors at a competitive rate.

Carol Scully, Director of Advocacy, The Arc of Connecticut, Inc:

As the oldest and largest community-based organizations, we work tirelessly to uphold our vision that all have access to information and the skills they need to support their participation in the community. We are a chapter of the Arc of the United States with 575 chapters in 49 states and over 124,000 staff members and 46,000 volunteers that serves over 1 million people. We have included in our testimony those parts of the bill we support. Individuals and staff deserve to have their needs recognized.

Melanie Wilde-Lane, Executive Director, Connecticut Association of School Based Health Centers:

As a state-wide nonprofit supporting over 325 school-based health centers we believe every child deserves a chance to be healthy. Many children have health issues making it difficult to

learn. Approximately 90 of our SBHC's contracts are with the Department of Public Health partially funded by the Department. We support the provisions of the bill that call for January 1, 2026, and every five years and the provision of not later than February 1, 2027, every five years. This would make it a consistent standard practice. School based health centers will be able to offer support for young people through this bill.

Linda Iovanna, CEO, CCARC:

We are burdened by administrative tasks with many duplicate processes and inefficient systems. Providers are mandated to undergo licensing every two years and quality service reviews annually which are essentially the same in terms of oversight. The licensing process is redundant with managers spending too much time on licensing processes that take several hours. We appreciate the evaluation of state agencies rates to adequately compensate nonprofits for services provided by state contracts. Repealing the sections that restrict the ability to compensate executive directors at a rate that attracts the needed talent is necessary.

Roberta Cook, President, CEO, BHcare:

BHcare is designated by DMHAS as a local mental health authority, child resources center, and umbrella center for domestic violence that provides services to more than 15,000 children, adults and families throughout South-Central Connecticut and beyond. We hold contracts with DMHAS, DCF and DSS that are extremely burdensome due to the CORE system. The system does not allow uploading reports or data which causes strain on an organization limited resources. The cost can be the equivalent of at least three full time employees. We also appreciate the bill directing payments to nonprofits within 45 days of rendered services. One of our most pressing challenges is the long delays between legislative action and contract execution. This disrupts our ability to plan, budget and deliver services to our communities.

Michael Patola, President, CEO, The Child and Family Guidance Center:

As the leader for almost 11 years with a budget of approximately \$11.5 million, grants do not cover the full cost of our services. Our services are funded by Medicaid that in the last 11 years have only gotten two costs of living increases. This does not meet our expenses, and this bill evaluates if the rates of state agencies pay for services adequately. Without adequate funding and increases in Medicaid, providers will not be able to attract staff to meet the critical psychiatric needs to those who depend on our services.

Jennifer Paradis, Executive Director, Beth-El Center:

This legislation is essential as I understand the number of resources it takes to ensure compliance with current state contracts and the reporting requirements. As a small non-profit, every staff member is a direct service provider. I step in when there are staffing gaps. Current salary limitations are prohibited to reflect contract compliance accurately. I hope that this bill allows for a review of reporting requirements and streamlines data collection.

Christian Damiana, Policy Manager, Mental Health Connecticut:

As a 117 year old community based nonprofit we operate facilities across the state. We will address longstanding challenges nonprofits face when contracting with the state. Inadequate reimbursement rates are one of the persistent issues that puts a strain on organizations forcing difficult decisions regarding staffing, service availability and long term sustainability. We need essential reform to timely payments. Reducing duplicative and burdensome reporting will help divert valuable time and resources to better serve our communities.

Carie Dyer, Chief Executive Officer, Reliance Health, Norwich:

The cost of doing business rises every year as well as compliance expectations. We encourage establishing a clear process for contract evaluation, create a timeline for responding to discovered financial deficiencies, and implement a standing mechanism within all human service contracts to adjust funding to align with inflation and streamline documentation across state agencies and this bill provides those changes.

James Farrales, President, CEO, Continuum of Care:

We have a long history with the Department of Mental Health and Addiction Services (DMHAS) and the Department of Developmental Disabilities (DDS) and appreciate their support. We operate in several regions and have separate contracts with each of the regions. It would be more efficient to have one contract with DMHAS covering all the regions. The financial system called CORE is so cumbersome in data entry that more manual effort is needed. An updated and modern system should be implemented. Many of our residential contracts have been in existence for more than 30 years and need to be adjusted to inflation and the cost-of-living expenses. We hope this bill will address all these issues.

Heather Gates, President, CEO, Community Health Resources (CHR):

As a provider that contracts with multiple state agencies, we submit the same information multiple times. There are different reporting requirements and repetition of requests. We then are required to have administrative staff to respond. Financial data, service data, and business information need to be streamlined to save cost for providers. The Office of Policy and Management needs to evaluate their rates that have not been adjusted in many years. We have challenges with Medicaid rates, inadequate adjustments to our grants based on the CPI, and not receiving payments in a timely manner. This bill provides solutions to these challenges, and it will also repeal the law that restricts us from compensating our executive directors at a rate that would attract the needed talent.

Joshua Kelly, CEO, Thames Valley Council for Community Action, Inc:

This bill would create much needed improvements to human services non-profits. Creating reports that have duplicate information is astronomical. We understand the need for regular reporting, but many are redundant and insignificant. Supporting this bill will help parse down the number of reports. Most important in the bill is the timely receipt of payments. The state government forgets we are not taxing entities. We need a law to protect our nonprofits from delayed payments.

Kellyann Day, CEO, New Reach:

Our organization prevents homelessness, provides emergency food and shelter, and creates supportive and affordable housing. We have evolved to meet the growing needs of those we serve but the multiple financial reporting's have created a challenge. It is increasingly difficult to retain and recruit staff and as a result we have a reduced workforce. This bill will address many of these problems and enhance the efficiency and sustainability of nonprofit organizations.

Lisa Otto, CEO, Child and Family Agency of SE CT:

We appreciate the bill directing OPM to evaluate the rates agencies pay for services. Many rates have not been adjusted in many years while service expectations have increased. We are facing a deficit in our 4 clinics because of the increase in expenses and inadequate funding increases. We have had to sell off assets, close programs, and reduce needed services. Nonprofits like ours need to be adequately compensated for the essential services they provide to our vulnerable population.

Chris McNaboe, CEO, Founder of Horizon.

As a private nonprofit agency, we have 4 major problems: chronic underfunding, the loss of ARPA support, a staffing crisis, and stagnant Medicaid rates. The pandemic effects are still with us, and our staff cannot work remotely. We have had to close some of our services and the days they are provided. The private sector provides 92% of community-based services and we must be able to recruit and retain professional staff.

The following also submitted testimony in support:

Silviana Lopex, Chief People Officer, Viability, Inc
Carly Tuthill, Program Director, Community Solutions, Inc.
Ray Forlano
Lorayna Hinton
Megan Boling

NATURE AND SOURCES OF OPPOSITION:

Linda Dalessio

Debbie Esposito

David Medeiros

Reported by: Pamela Bianca

Date March 6, 2025