



State of Connecticut
Department of Developmental Services

DDS

Ned Lamont
Governor

Jordan A. Scheff
Commissioner

Peter Mason
Deputy Commissioner

Operations Memo 2020-24

To: Purchase of Services Contracted Private Providers

From: David David, Operations Center Director

CC: Jordan Scheff, Commissioner, Peter Mason, Deputy Commissioner, Katie Rock-Burns, Chief of Staff, Scott McWilliams, Chief of Fiscal/Administrative Services, Regional Directors, Private ARDs, Resource Administrators, The Alliance, The Arc CT

Date: June 22, 2020

RE: FY2020 Cost Settlement and the FY2021 Innovation Incentive Program Pilot

The purpose of this memo is for the Department of Developmental Services (DDS) to communicate information related to FY2020 cost settlement and the FY2021 Innovation Incentive Program Pilot.

Cost Settlement

As background, prior to fiscal year (FY) 2020 all DDS qualified providers with Purchase of Service (POS) contracts were subject to 100% cost settlement, codified in Part I, Section C.15 of the DDS contract language. This means DDS contracted providers, subject to cost settlement, were required to reimburse the department 100% of the difference between the provider's contracted allotment and the actual allowable expenses, as reported.

In the 2019 legislative session, Governor Lamont proposed, and the Connecticut General Assembly passed a provision allowing providers under contract with DDS to retain 20% of the difference between actual expenses incurred and the amount the provider received from DDS. This provision is contained in Section 26 of [Public Act 19-117](#), AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2021, AND MAKING APPROPRIATIONS THEREFOR, AND PROVISIONS RELATED TO REVENUE AND OTHER ITEMS TO IMPLEMENT THE STATE BUDGET.

Specifically, this provision requires DDS providers, subject to cost settlement, to reimburse the department at 80% of the difference between the provider's contracted allotment and the actual allowable expenses, as reported for FYs 2020 and 2021. This means contracted providers in compliance with contract performance requirements will retain 20% of the savings they achieve for FYs 2020 and 2021.

Innovation Incentive Program Pilot

In 2019, the Connecticut General Assembly also passed [Public Act 19-127](#), AN ACT CONCERNING THE INNOVATION INCENTIVE PROGRAM FOR NONPROFIT PROVIDERS OF HUMAN SERVICES.

This legislation required the Secretary of the Office of Policy and Management (OPM) to establish a pilot incentive program for non-profit providers of human services. In partnership with OPM, DDS is implementing the following pilot incentive program in FY2021.

Outline of Pilot:

1. The pilot incentive program will select eight DDS nonprofit providers that meet the criteria outlined in the legislation, to retain 60% of the savings they achieve for FY 2021. The eight providers must fall within one of the state contract categories outlined below, pursuant to the legislation:
 - *(A) Two with contracts of at least fifty million dollars, (B) two with contracts of at least twenty million dollars but less than fifty million dollars, (C) two with contracts of at least five million dollars but less than twenty million dollars, and (D) two with contracts of less than five million dollars.*
2. Each provider must apply (as detailed below) to participate in the pilot and must provide assurances to DDS that future contracted amounts from the state for the same types of services are not reduced solely to reflect savings achieved in previous contracts by such providers.
3. It is the expectation of DDS that a portion of the savings retained by providers will be used to enhance services for the people they support.

Provider Application Requirements:

1. All applicants must have all contractual requirements met prior to and during the pilot's application process.
2. To apply, providers will email their assigned Provider Specialist and the DDS.OperationsCenter@ct.gov the following:
 - a. Subject Line: DDS Innovation Incentive Pilot
 - b. In the email body, please indicate that your agency is applying for the FY2021 DDS Innovation Incentive Pilot. No other information will be needed.
3. To be considered for the pilot, providers must submit their application on or before December 31, 2020.

DDS Application Review Process and Notification of Entry in to Pilot:

1. DDS anticipates the application review process to begin January 1, 2021.
2. DDS anticipates the notification to providers or their acceptance or denial into the pilot by January 15, 2021.

Please contact David David at David.david@ct.gov with any questions you may have.