

**Business Practice Work Group
Recommendations for Consideration by
The Governor's Cabinet on Nonprofit Health and Human Services
October 2014**

Background on Business Practice Recommendations

Governor Malloy created the Cabinet on Nonprofit Health and Human Services (the "Cabinet") in September 2011 to help maintain a high standard for nonprofit and human services within the State of Connecticut during a period of intense fiscal challenges. Specifically, the Cabinet was asked to examine ways "to enhance the effectiveness" of our state social service system "in regard to client outcomes, cost-effectiveness, accountability and sustainability."

The Business Practice Workgroup (the "Workgroup") was created to explore business related trends unfolding nationally in the delivery of social services. These trends could prove crucial in implementing many of the goals that have been articulated in past Cabinet reports because they are specific tools relating to data, measurement and financial efficiency - all consistently recurring themes.

The perception of social services is undergoing a national transformation. New approaches are emerging that seek to both evaluate and improve results in a more cost-effective manner. These approaches apply concepts traditionally associated with business, specifically trends relating to streamlining processes, determining the financial impact of social services, measurement of programs and collaboration. The Workgroup was convened to explore these trends.

The Workgroup recommendations are evidence of a new spirit of cooperation within the nonprofit and human services community to work in partnership with state government to address rising social service need in an environment of revenue restraint. Inherent in this spirit is an evolving vision of social services as both a "safety net" for the most vulnerable and a dynamic realm that supports long-term goals of financial independence, revenue production and economic growth. As an industry, nonprofit organizations can be an economic driver and have a significant positive impact for those they employ, the communities in which they serve and the state as a whole.

The recommendations contained herein urge a continuation and expansion of the efforts recently undertaken by the State of Connecticut -- relating to the usage of data, encouraging collaboration and lean management -- as well as exploring other new ideas. By exploring new trends relating to both performance and financial efficiency, the Workgroup is acknowledging that improving the condition of our state's vulnerable populations is the most important responsibility our state undertakes. The execution of this duty requires an exhaustive review of all available tools.

Accordingly, the Business Practices Workgroup assumed the following responsibilities:

1. Identify models, best practices and incentives for collaboration and partnership among nonprofit organizations;

2. Identify processes for streamlining nonprofit provider business practices utilizing tools such as the Lean business improvement process principles;
3. Evaluate the potential for engaging in innovative or emerging business practices such as:
 - Social Impact Bonds
 - Social Enterprise
4. Make recommendations on the technical resources that nonprofit organizations need in order to collect and analyze data that will drive performance delivery and budget decisions.

Task #1: Identify models, best practices and incentives for collaboration and partnership among nonprofit organizations.

Work and Observations:

The Workgroup has seen presentations, specifically from the Graustein Memorial Fund, and discussed efforts undertaken by the United Way of Connecticut and United Way of New Haven, all related to the positive impact that collaboration can have when applied in connection with an appropriate opportunity. Examples of collaboration fall across a continuum of models, from cooperation in a particular area to full integration of administrative and program consolidation. The general conclusion is that in the right circumstances, collaboration improves outcomes and can serve as a vehicle for all stakeholders to work toward shared goals on important community issues.

Recommendations:

1. The Business Practices workgroup should continue its work to compile and share a set of foundational components that support effective collaboration (include examples of successful collaborations).
2. The Business Practices workgroup should continue its work to gain a better understanding of existing practices that facilitate or discourage collaboration.
3. OPM should work with state agencies to identify opportunities for collaboration by strengthening relationships across state agencies.
4. The Cabinet should evaluate the effectiveness of the current criteria that drive procurement (timeframes, quality standards, cost thresholds).
5. The Cabinet should encourage the involvement of nonprofit organizations in the creation of the state's enterprise contract management system.
6. OPM should expand the scope and flexibility of the Non Profit Collaboration Incentive Grants to better support the needs of nonprofit organizations.

Task #2: Identify processes for streamlining nonprofit Business practices using tools such as the Lean model

Work and Observations:

There was significant recurring discussion surrounding the benefits to the state and the nonprofit community when a concerted effort is made to examine opportunities for increased efficiency. Specific discussion was had regarding the usage of the Lean model within the State of Connecticut and the ability this model has on improving efficiency.

Recommendations:

1. The Cabinet should endorse the concept of using and supporting process improvement models.
2. The Cabinet should increase the capacity of the nonprofit community to engage in the LEAN model, both through training and through the exploration of additional funding mechanisms.
3. OPM should identify cross-sector process improvement projects that can be jointly engaged in by state agencies and nonprofit organizations alike to facilitate the ease of working together.
4. The Cabinet should work to develop incentives for nonprofit organizations that have implemented a process improvement model (e.g. offer additional points on proposal scoring, technical assistance)

Task #3: Evaluate the potential for engaging in innovative or emerging business practices such as Social Impact Bonds and Social Enterprise.

Work and Observations:

Significant discussion was held regarding the new trends relating to social financing, specifically social impact bonds and the many ways in which social impact can be created, including through social enterprise and pay-for-success structures that reward services that are measured for both (i) success and (ii) financial impact. There are resources such as reSET available to the nonprofit community to encourage the use of B-corporations and enhance social enterprise, and resources at DECD to help the nonprofit community create or maintain jobs.

Recommendations:

1. The Cabinet should develop and implement Pay for success models in the delivery of all services.

2. The Cabinet should support the Governor in the introduction of legislation in the 2015 legislative session for use of Social Innovation Financing (such as Social Impact Bonds) and Pay for Success models in CT.
3. The Cabinet should support the nonprofit community in its efforts to use B-Corporations and Social Enterprise models,
4. The Cabinet should engage DECD around the idea of becoming a resource for nonprofit organization, or for the spin-off components, looking at social enterprise. This can center on the idea of job creation.
5. The Cabinet should advocate for the inclusion of nonprofit organizations in the Small Business Express program by highlighting the positive economic benefit.

Task #4: Make recommendations on the technical resources that nonprofit organizations need in order to collect and analyze data that will drive performance delivery and budget decisions.

Work and Observations:

There is an increasing national consensus that the usage of data and technology can help deliver better results and improve the social services sector. The Workgroup witnessed presentations from several agencies, specifically CSS and DCF, and was able to observe first hand some of the good work being done within the state of Connecticut to develop technology infrastructures that improve results and capture meaningful performance data. It was clear that the successful implementation of this task makes all the other workgroup tasks possible, as we need data, systems and analysis in order to fully implement the other recommendations.

Recommendations:

1. The Business Practices Workgroup should compile and disseminate information about successful data management systems, including the common elements that exist in the more successful systems. (Highlight models such as DCF RBA Model, DSS RBA Project, CSSD provision of technology, personnel and technical support, and DMHAS Provider Dashboard and share the inventory to help us frame and align the work between state agencies and nonprofit organizations)
2. The Cabinet should work to fund nonprofit organizations who are required to interact with one or more state data systems.
3. The Cabinet should develop resources to provide technical assistance to nonprofit organizations on how to look at their data and how to use it to improve services.

4. The Business Practices Workgroup should work with the state's Open Data Portal to identify the information that nonprofit organizations want to see on the portal.
5. The Business Practices Workgroup should identify the frameworks for performance measures that are currently being used, with the ultimate goal of agreement on a common framework for performance measures, allowing us to group measures into like clusters and to evaluate contributions toward population results.
6. The Cabinet should ensure that the provider voice is at the table for implementation of state data efforts, starting with the DSS legislative charge to create data sharing mechanisms across agencies.
7. The Cabinet should continue to support the use of the Non Profit Incentive Grant program.

Additional Considerations: Consider the Business Practice Needs of Nonprofit Organizations

Work and Observations:

There was a great deal of discussion surrounding the financial pressures facing nonprofit organizations today. This discussion tied in many of the concepts under consideration relating to measurement and financial impact. There was a consensus within the group that increased awareness by the public and government regarding the financial pressures that are felt by the nonprofit community would greatly benefit the community at large. In advocating that the State view nonprofit organizations as businesses, we would do well to demonstrate the economic impact of our services and the value to the community.

Recommendations:

1. The Cabinet should continue to actively support the 2013 Cabinet recommendation for revenue retention and expand the pilot.
2. The Cabinet should work to ensure consistency in fees, competitive wage rates and true costs for doing business for both nonprofit organizations and for-profit businesses contracting with the State.