

TRANSITION TEAM POLICY RECOMMENDATIONS ON HUMAN SERVICES

Policy Priority – POS Provider Support and Contracting Reform

I. Statement of Issue: Currently the state procures health and human services through Purchase of Service (POS) contracts issued by the Departments of Social Services, Public Health, Children & Families, Corrections, Mental Health & Addiction Services, Developmental Services and the Judicial Branch Court Support Services Division. Nonprofit community-based providers are critical partners with the state in providing high quality, efficient, cost-effective health and human services on the state's behalf at a great savings to taxpayers. Unfortunately the state has allowed private providers to become deeply underfunded by not applying consistent cost-of-living adjustments (COLA) to POS contracts. Currently, the average 20 year COLA on state POS contracts stands at less than 1%, which is far below inflation and the increased cost to provide services.

Another major challenge facing the state's nonprofit community-based providers of human services is the state's POS contracting system. This contracting system is fraught with administrative inefficiencies and duplication that create endless and unnecessary challenges for the very nonprofit community-based providers on which the state relies. The practices listed below fail to engender the kind of partnership both state government and private providers espouse.

The POS contracting inefficiencies and duplication among and within state agencies include, but are not limited to: (1) lack of timely contract execution; (2) lack of timely contract payments; (3) restriction on flexibility to properly fund all aspects of a program (e.g.: sometimes caused by the use of multiple "Special Identification Codes" or SIDs within each agency which does not allow for shifting dollars between SIDs if one area of a program is running a surplus and another area is running a deficit); (4) requiring budget amendments to make slight changes due to the above referenced inflexibility; (5) countless unfunded mandates in the area of data collection and reporting (e.g.: electronic health records, data encryption, etc.); (6) duplication in auditing and client document/facility review by multiple state agencies; (7) redundancy in common forms required for various contracts (e.g.: insurance certification, non-discrimination polices, workforce analysis, etc.); (8) and the use of different reporting systems among state agencies to collect similar data.

II. Proposed Action: (Please note that all fiscal impacts below reference the impact on the state. However, many of these actions will result in significant savings to nonprofit community-based providers and are greatly needed at a time when funding increases are rare.)

1. Prioritize the adequate and appropriate funding of nonprofit community-based providers that hold POS contracts with the state. While funding may not be immediately available to accomplish this, it should nevertheless be a significant, long-term priority of the Administration. **Fiscal Impact: Potential significant cost. OFA currently estimates that a 1% COLA on all POS health and human service contracts to be \$13.3 million.**

2. Create an oversight entity for all state agencies to ensure consistent adherence to state contracting processes. The Office of Policy & Management has been reluctant to compel compliance by state agencies for the practices, procedures and policies that it promulgates. There needs to be a vehicle either within OPM or the Governor's Office to hold state agencies accountable to accepted contracting processes. **Fiscal Impact: Dependent upon utilization of current state employee or hiring of new state employee.**

3. Consolidate the back-office functions of the state's health and human services agencies. Doing so would alleviate some of the silos that exist among state agencies and which pose significant challenges to the private providers that contract or receive funding from multiple agencies and also provide greater uniformity. **Fiscal Impact: Potential significant savings. The Commission on Enhancing Agency Outcomes estimates in its December 2010 report that this would yield a potential annual savings of \$1,396,026 to \$3,908,874.**

4. No state POS contract should be executed less than 15-30 days prior to its implementation date.

Given the state budget deficit and limited opportunity for increased funding, at a minimum state government can assure that no POS contract issued and executed by any state agency is delivered to a provider agency in an untimely fashion. Contracts presented to human service contractors months after the implementation date should no longer be an acceptable practice. The failure of some state agencies to render timely contracts creates disruption and chaos within organizations, requires unnecessary utilization of lines of credit and borrowing, and creates anxiety among Board, management and staff of service provider contractors. **Fiscal Impact: None.**

5. Enforce C.G.S. § 4a-71 – 4a-73, utilize prospective payments and encourage electronic payments/fund transfers. Like untimely contract execution, untimely payments create an enormous burden for nonprofit community-based providers. Such practices require the use of lines of credit and borrowing for which private providers do not see reimbursement from the state. As a result many providers incur interest payments to provide services on behalf of the state because they do not receive state payments in a timely fashion. Should the state enforce its statute to pay interest it could deter many instances of late payments. Additionally, prospective payments (implemented after a one year probationary period for new contractors) would eliminate most timely payment problems. Finally, electronic fund transfers would speed up the payment process. **Fiscal Impact: Depending on adherence to timely payment, interest payments could be slight or significant. Prospective payments would not have a fiscal impact. Greater use of electronic fund transfers is a potential savings to the state by going paperless.**

6. Utilize multi-year contracts and a “13th month” contract period. Multi-year contracts drastically reduce the administrative burden on both the state and private providers. By including an additional month on each contract period (e.g.: 13 months for a one year contract, 25 months for a two year contract, etc.) gives both parties more time for contract renewal. Also, in instances where a contract begins on July 1 and a state budget has not yet been adopted, it helps prevent service disruption or situations where a provider continues service without a contract or payment. Another solution would be to grant state agencies the authority for an expedited short-term contracting mechanism similar to a continuing resolution enacted for state and federal budgetary purposes. **Fiscal Impact: None.**

7. Collapse payment for services into as few “Special Identification Codes” (SIDs) as possible and allow for flexibility to appropriately fund all aspects of a program. Most state agencies use multiple SIDs to help track funding for specific programs. While this is helpful to state agencies for tracking purposes, it allows absolutely no flexibility in funding all necessary program areas. For instance, a provider may be running a surplus in personnel due to a vacant position while also running a deficit in a direct service. Because the funding for these two different program areas fall under separate SIDs, the state agency rarely allows for the shifting of dollars to cover the deficit. The Department of Corrections has collapsed all of their funding into one SID which allows greater flexibility for both the state agency and the private provider, so we know the change is possible. **Fiscal Impact: None.**

8. State agencies should not require budget amendments for slight (up to 5%) variances. The budget amendment process is another administrative drain on both state agencies and private providers. The state needs to work in partnership with and trust its POS contractors. Private providers should be able to make slight adjustments to their budgets to meet program needs and the state should trust them to do so without requiring time-consuming paperwork for each small adjustment. **Fiscal Impact: Savings due to lack of time and paper necessary to process budget amendments.**

9. Properly fund and assist private providers with mandates, such as EHR and data encryption. All healthcare providers will be required by federal law to have Electronic Health Record (EHR) systems by 2014. While this is a federal mandate, it is a significant cost and obstacle to Connecticut’s POS contractors of health and human services. Additionally, the state is now requiring that all protected health information be encrypted, another significant technology cost that is not being funded. At a minimum the state should work to identify “preferred providers” of both EHR and data encryption software. Further, the state should provide financial assistance or incentives where possible, such as utilizing the state’s bulk purchasing power to lessen the cost to providers. **Fiscal Impact: None if only identifying preferred providers; Undetermined if providing some level of financial assistance.**

10. The state should conduct a review of all POS reports and protocols (data reporting) to determine that all information requested is applicable, required, being utilized, and uniformly interpreted within and across all POS agencies. State agencies require large amounts of client, program and financial reporting from private providers. Providers have no objection to providing necessary and relevant information to their contracting agency, especially financial reporting; however, providers do question whether all information currently requested is either necessary or utilized. **Fiscal Impact: Potential significant savings from streamlining to ensure that staff resources are only used to gather and review applicable and necessary information.**

11. State agencies, under the oversight of OPM, should collaboratively develop a single, web-based reporting system that would satisfy the requirements for data reporting by private providers. The client and program reporting discussed above is often duplicated among state agencies, all of which have different reporting systems. This should be streamlined to the best of the state's ability. The Judicial Branch Court Support Services Division has a system that they believe can be used for any health and human services program. **Fiscal Impact: Initially moderate cost with potential long-term savings. Creation of a single, web-based reporting system could result in a moderate cost although some state agencies point to possible existing solutions (e.g.: CSSD reporting system). A single system will result in long-term savings as it can be maintained by one state agency (e.g.: DOIT).**

12. The state should create an online portal or "document vault" where common forms required by all state contracting agencies can be loaded and available for review by state agencies when necessary. The common forms associated with most state contracts (e.g.: insurance certification, non-discrimination policies, workforce analysis, etc.) could be loaded into one online portal where all state agencies could access them as necessary instead of requiring that providers send the documents into agencies multiple times for multiple contracts. The responsibility of ensuring that the state has access to the most recent version of the document would be the responsibility of the private provider. **Fiscal Impact: Potential moderate cost. The state would need to set-up an online portal which would need to be maintained by the state, although responsibility for all posting of document would fall on private providers.**

How does it tie-in to the Malloy/Wyman campaign policy: All of the above policy actions are consistent with the Governor and Lt. Governor-Elects' consistent and public support of nonprofit community-based providers. Both Governor-Elect Malloy and Lt. Governor-Elect Wyman recognize the critical partnership that state has with private providers that provide essential, quality health and human services on the state's behalf in an efficient and cost-effective manner. At a time when the economic climate does not allow for state government to immediately begin to appropriately fund nonprofit community-based providers who are drastically underfunded due to years of insufficient or no COLAs, the POS contracting reform discussed above will cost little to no money for the state to implement, but will drastically reduce costs to providers.

III. Long-term Needs/Vision: The state needs to be a good partner with nonprofit community-based providers. Should private providers cease to exist, the cost for the state to directly provide all health and human services would be inconceivable. While increased and appropriate funding for services is an absolute long-term need of nonprofit community-based providers, by streamlining contracting and ensuring consistent practices across all state agencies, the state will be taking a meaningful step in fostering its partnership with private providers. More over, many of the actions discussed above will result in streamlined government and savings to the state.

IV. Jobs Impact & Other Benefits: By streamlining contracting and reducing some of the administrative and financial burdens placed on providers by the existing fragmented and duplicative state contracting system, nonprofit community-based providers may be able to free up some funding to hire additional staff thereby helping to lessen the state's unemployment rate.